

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of FLORIDA POWER AND LIGHT COMPANY for non-firm load methodology and annual targets.) DOCKET NO. 870197-EI
)
) ORDER NO. 22229
)
) ISSUED: 11-28-89

The following Commissioners participated in the disposition of this matter:

- MICHAEL McK. WILSON
- THOMAS M. BEARD
- BETTY EASLEY
- JOHN T. HERNDON
- GERALD L. GUNTER

ORDER APPROVING FLORIDA POWER AND LIGHT COMPANY'S NON-FIRM LOAD METHODOLOGY

BY THE COMMISSION:

Rule 25-6.0438, Florida Administrative Code, effective August 21, 1986, requires each investor-owned electric utility offering non-firm electric service to submit for the Commission's review and approval a proposed method for determining the utility's maximum level of cost-effective non-firm load over its generation planning horizon and the utility's annual targets for cost-effective non-firm load. Rule 25-6.0438 also states that specific consideration must be given to each type of non-firm electric service offered and that the maximum levels of non-firm load must be updated by each utility and filed for Commission approval every two years.

Pursuant to Rule 25-6.0438, Florida Power and Light Company (FPL) filed its methodology and non-firm annual target levels on February 23, 1987. FPL offers four types of non-firm load: curtailable, commercial/industrial load control (CILC), residential load control, and interruptible (full requirements and standby). At the time of filing its initial petition, FPL did not offer interruptible service and its initial petition did not present either a methodology or annual targets for interruptible service. The February petition presented a methodology and targets for CILC and residential load control and asked that the non-firm rule be waived for its curtailable

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service. A separate docket was established for the waiver request, Docket No. 870198-EI, and Order No. 18254 denied FPL's request for waiver of Rule 25-6.0438 requirements for FPL's curtailable service. FPL submitted a methodology and annual targets for its curtailable service on January 4, 1988, in compliance with that order.

Subsequent to the filing of this methodology, FPL filed interruptible full-requirements and standby service tariffs. We waived compliance with the non-firm rule and approved these tariffs on an interim basis in Order No. 19448 but required that FPL develop final interruptible tariffs which were in compliance with the non-firm rule on or before October 4, 1988. Because of this new offering, FPL developed a new methodology for its interruptible and load control services and new targets. These were filed on August 22, 1988. On August 22, 1988, FPL also filed its "final" interruptible tariffs in compliance with Order No. 19448.

Docket No. 870197-EI has been combined with the other three non-firm methodology and annual target dockets for hearing purposes by Order No. 19547, issued on June 21, 1988. These dockets are not combined for any purpose other than hearing. The purpose of this combined hearing was to determine the proper methodology for setting the maximum amount of cost-effective non-firm load and to set annual target levels based on that methodology; to determine the proper means of implementing those annual targets; and to make findings pursuant to 18 C.F.R Subsection 292.305(b)(2) on whether the provision of standby interruptible service will either impair FPL's ability to render adequate service or place an undue burden on the electric utility. As indicated in Order No. 19798, issued on August 12, 1988, this proceeding will not fix new rates for non-firm service or approve new rate designs for either full requirements or standby non-firm customers.

On July 25, 1988, Metropolitan Dade County (Dade) filed a motion for intervention in this docket. This motion was granted in Order No. 19798, issued on August 12, 1988. Likewise, the motions for intervention of the Florida Industrial Cogeneration Association (FICA) and the Florida Industrial Power Users Group (FIPUG) were filed on August 2, 1988, and July 19, 1988, respectively. These too were granted by Order No. 19798.

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At the October 17, 1989 Agenda Conference, we were advised by Staff that Rule 25-6.0438, Florida Administrative Code, has become unworkable to the extent it requires annual target levels to be set. Due to problems encountered in both implementing and administering the rule as it relates to annual target levels, we have directed Staff to revise the rule. We find, therefore, that issues in this docket relating to annual target levels should be deferred until Rule 25-6.0438 is revised. Until that time, we will refrain from ruling on factual issues relating to annual target levels, including the proper annual target levels for FPL's non-firm service pursuant to Rule 25-6.0438; the proper means of implementing those target levels; and whether the provision of interruptible standby service will either impair FPL's ability to render adequate service or place an undue burden on the electric utility pursuant to 18 C.F.R. Subsection 292.305(b)(2).

We find that the methodology proposed by FPL for determining the maximum level of cost effective interruptible load is acceptable. FPL has proposed a methodology which is consistent with the methodology used to model generation expansion in the Planning Hearing docket. This approach is sound for several reasons. First, cost-effectiveness can be directly demonstrated. Non-firm service is designed to provide capacity deferral benefits. In order to measure the effect of such service, FPL first runs a reference expansion plan which identifies unit additions prior to the inclusion of non-firm load. FPL then chooses the first unit to be "moved" and, in conjunction with marketing data and strategic considerations relative to sign-up and implementation rates, sets end targets for non-firm programs. These targets effectively replace the identified generating unit in running the Alternate Expansion Plan. A comparison between the present worth of revenue requirements (PWRR) of the Reference and Alternate Expansion Plans then clearly shows the cost-effectiveness of the non-firm load.

Second, effects on demand and energy can be demonstrated. Non-firm load decreases peak demand and net energy. A comparison of a Reference Plan load forecast and the forecast which results from an Alternate Plan measures these effects. [See Late-filed Exhibit 615.] Third, the methodology is consistent with the Planning Hearing docket. As noted above, this methodology is very similar to that employed by FPL and the peninsular utilities in the Planning Hearing docket. Since

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non-firm service will be a permanent rate offering, we expect to see it consistently included in FPL's future load forecasts and expansion planning proceedings.

While we approve of FPL's methodology in principle as discussed above, the inputs which led to their originally filed Reference Expansion Plan (Exhibit 602) raise concerns. Certain significant planned capacity additions were not included in FPL's reference plan. These were the planned repowering of the Lauderdale units; the additional 200 MW Scherer unit purchase from the Southern Company; and the 225 MW QF purchase from AES. As would be expected, the inclusion of this capacity leads to differences in the type and the timing of unit additions relative to FPL's Reference and Alternate Expansion Plans. Although there was no impact on the overall non-firm targets, we find FPL's Reference and Alternate Expansion Plans to be those identified in Exhibit 502. Staff's prehearing criticism of the methodology working "backward" was satisfied at hearing.

Intervenors FIPUG and Dade have both suggested that FPL's methodology excludes certain quantifiable benefits of non-firm load, including customer retention, operational and planning flexibility benefits. However, we find that there was no empirical evidence introduced into the record which would allow for quantification of such benefits or revision of FPL's proposed methodology.

We find that FPL has not provided a methodology for determining the maximum level of cost-effective levels of curtailable load. FPL admits in its own position on this issue that the cost-effectiveness is "non-quantifiable." The section of the non-firm rule on which FPL so heavily relies calls for the non-firm offering to show "other measurable economic benefits." A fair reading of that language must equate "measurable" with "quantifiable." Since FPL has not provided a methodology consistent with the intent of the non-firm rule, the Commission finds that FPL's methodology for determining the maximum level of cost-effective curtailable load is unacceptable. Moreover, we find that FPL's curtailable rates are not cost-based.

Whether or not FPL's curtailable rate is cost-based turns on the issue of the correctness of the credit. This concern was raised in FPL's last rate case, where Commissioner Cresse, at the Special Agenda Conference, commented:

Well, Commissioners, the curtailable policy that the Company has is bad.

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It's curtailed when we ask the utility to pay a higher rate. Their load is taken into consideration in the load forecast, and this is a value judgment as to whether or not there is any benefit to the other customers if these folks actually curtail first. That's what it amounts to.

(Docket No. 830465-EI, Special Agenda Conference, TR. 576)

Commission Order No. 13537 states:

The record evidence establishes that the benefit to all ratepayers of the curtailable rate is non-quantifiable, if it exists at all. Since neither the Company or FIPUG were able to quantify the benefits of curtailable service, we find that it would be inappropriate to increase the curtailment credit.

Order No. 13537 at 65.

Simply stated, if the curtailment credit is not correctly priced, then curtailable service is improperly valued. Since no evidence was presented at hearing to quantify the benefits of curtailable service we find that this rate is not cost-based. However, by Order No. 13537, the Commission requested "that the Company shall establish why the curtailable service should not be discontinued in the Company's next rate case." We find that this issue will ultimately be decided at that time.

We additionally find that FPL's curtailable service provides FPL with operational flexibility which benefits all customers, e.g., the reduction of outages. We further find that FPL has not provided any methodology for determining targets for curtailable load. Based on our decisions in Order Nos. 13537 and 18254, we find that curtailable rates should not be closed to existing customers until FPL's next rate case.

We also find that FPL's methodology for determining the maximum level of cost-effective residential load control is acceptable. FPL has proposed a methodology which is consistent with the methodology used to model generation expansion in the Planning Hearing docket. This approach is acceptable for several reasons. First, cost-effectiveness can be directly demonstrated. Non-firm service is designed to provide capacity

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deferral benefits. In order to measure the effect of such service, FPL first runs a reference expansion plan which identifies unit additions prior to the inclusion of non-firm load. FPL then chooses the first unit to be "moved" and, in conjunction with marketing data and strategic considerations relative to sign-up and implementation rates, sets end targets for non-firm programs. These targets effectively replace the identified generating unit in running the Alternate Expansion Plan. A comparison between the present worth revenue requirements (PWRR) of the Reference and Alternate Expansion Plans then clearly shows the cost-effectiveness of the non-firm load.

Second, effects on demand and energy can be demonstrated. Non-firm decreases peak demand and net energy. A comparison of a Reference Plan load forecast and the forecast which results from an Alternate Plan measures these effects. [Exhibit 615] Third, this methodology is very similar to that employed by FPL and the peninsular utilities in the Planning Hearing docket. Since non-firm service will be a permanent rate offering, it is expected to be consistently included in FPL's future load forecasts and expansion planning proceedings.

While we approve of FPL's methodology in principle as discussed above, we are concerned with the inputs which led to their originally filed Reference Expansion Plan. [Exhibit 602]. Upon discovery, it was determined that certain significant planned capacity additions had not been included when their reference plan was formulated. [Exhibit 502, Response to Staff Interrogatory No. 15; Tr. 176-177] These were the planned repowering of the Lauderdale units; the additional 200 MW Scherer unit purchase from the Southern Company; and the 225 MW QF purchase from AES. The inclusion of this capacity as input leads to differences in the type and timing of unit additions relative to FPL's Reference and Alternate Expansion Plans. Although there was no impact on the overall non-firm targets, we find FPL's Reference and Alternate Expansion Plans to be those identified in Exhibit 502. Staff's prehearing criticism of the methodology working "backward" was satisfied at hearing.

Intervenors FIPUG and Dade have both suggested that FPL's methodology excludes certain quantifiable benefits of non-firm load, including customer retention, operational and planning flexibility benefits. However, there was no empirical evidence introduced into the record which would allow for quantification of such benefits or revision of FPL's proposed methodology. The appropriate Expansion Plans should be those identified in Exhibit 502. We further find that FPL has not proposed a methodology for determining the maximum level of cost-effective

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commercial/industrial load control (CILC) since it is a trial project exempt from compliance with the non-firm rule by Order No. 18354, issued October 29, 1987. We find, however, that at the time FPL decides to continue or modify this trial program, it should present a methodology for this offering pursuant to the non-firm rule.

We further find that the Commission does not have authority under Rule 25-6.0438, Florida Administrative Code, and Section 366.076, Florida Statutes, to close approved tariffs to existing customers. This decision is consistent with our ruling in In re: Petition of Florida Power & Light Company for Partial Waiver for Requirements of Rule 25-6.0438, Florida Administrative Code, Order No. 18254, Docket No. 870198-EI. In Order No. 18254, we stated ... "should the methodology provided for in Section (5)(a) indicate that the curtailable rate does not offer any economic benefits to FPL's general body of ratepayers ... then the curtailable tariff could only be closed to existing customers in FPL's next rate case." We find that our reasoning and decision in Order No. 18254 is applicable to this proceeding. We note, however, that Order No. 18254 only addresses this issue as it relates to existing customers receiving service under approved tariffs. We may close approved tariffs to new customers outside the context of a rate case.

We further find that Rule 25-6.0438 does allow separate annual target levels to be established for ISS. While Rule 25-6.0438 does not address the setting of separate annual targets for interruptible load and interruptible standby load, nor require that separate targets be set, the rule does contemplate that the cost-effectiveness test submitted by a utility contain separate analyses of the types of non-firm service provided. In fact, it requires that specific consideration of each type of service must be given:

Within six (6) months of the effective date of this Rule, each utility that currently offers non-firm electric service shall submit for the Commission's review and approval a proposed method for determining the utility's maximum level of cost effective non-firm load over its generation planning horizon and the utility's annual targets for achieving the total level of non-firm load in a cost-effective manner. Specific consideration must be given to each

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type of non-firm electric service
offered.

Rule 25-6.0438(5)(a) (Emphasis Added.)

We find, however, that the rule does not specify how the types of non-firm load should be separated. We conclude that the manner of separation should be determined on a case-by-case basis.

In consideration of the foregoing, it is

ORDERED by the Florida Public Service Commission that our ruling on factual issues relating to Florida Power and Light Company's non-firm annual target levels is deferred until Rule 25-6.0438, Florida Administrative Code, is revised. It is further

ORDERED that FPL's methodology for determining the maximum level of cost effective interruptible load is approved and the appropriate Expansion Plans to be used in its methodology are those identified in Exhibit 502. It is further

ORDERED that Florida Power and Light Company has no methodology for determining the maximum level of cost-effective levels of curtailable load and that the curtailable rates are not cost-based. It is further

ORDERED that Florida Power and Light Company's curtailable rate should not be closed to existing customers until Florida Power and Light Company's next rate case. It is further

ORDERED that Florida Power and Light Company's residential load control methodology is approved and the appropriate Expansion Plans to be used are those identified in Exhibit 502. It is further

ORDERED that Florida Power and Light Company is exempt from proposing a CILC methodology because it is a trial project exempt from compliance with the non-firm rule by Order No. 18354, issued October 29, 1987. It is further

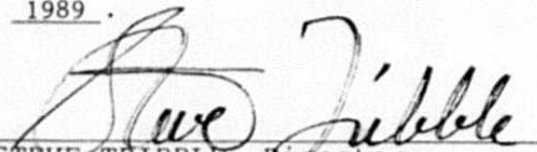
ORDERED that the Commission does not have authority under Rule 25-6.0438, Florida Administrative Code, or Section 366.076, Florida Statutes, to close approved tariffs to existing customers. It is further

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ORDERED that Rule 25-6.0438 allows separate annual target levels to be established for ISS. It is further

ORDERED that this docket shall be closed after the time has run in which to file a petition for reconsideration or notice of appeal if such action is not taken.

By ORDER of the Florida Public Service Commission, this 28th day of NOVEMBER, 1989.


STEVE TRIBBLE, Director
DIVISION OF RECORDS AND REPORTING

(S E A L)

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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.

Any party adversely affected by the Commission's final action in this matter may request: 1) reconsideration of the decision by filing a motion for reconsideration with the Director, Division of Records and Reporting within fifteen (15) days of the issuance of this order in the form prescribed by Rule 25-22.060, Florida Administrative Code; or 2) judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or the First District Court of Appeal in the case of a water or sewer 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 after the issuance of this order, 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.