

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

MARCH 6, 1997

TO : DIRECTOR OF RECORD AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (WHEELER)
DIVISION OF LEGAL SERVICES (JOHNSON) *DNW RET VOR RUE*

RE : DOCKET NO. 970054-EI - APPLICATION FOR WAIVER OF CERTAIN
REQUIREMENTS OF RULE 25-6.0437, F.A.C., AS THEY APPLY TO
GENERAL SERVICE NON-DEMAND RATE CLASS AND OTHER RATE
CLASSES

AGENDA: MARCH 18, 1997 - REGULAR AGENDA - PROPOSED AGENCY ACTION
INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: S:\PSC\EAG\WP\970054.RCM

CASE BACKGROUND

On January 10, 1997, Florida Power & Light Company (FPL) filed a request for waiver of certain requirements of Rule 25-6.0437, Florida Administrative Code, as they apply to certain rate classes, including the General Service Non-Demand rate class. In addition, FPL requested approval of its Load Research Sampling Plan as filed on December 10, 1996, for the General Service Non-Demand, General Service Demand, General Service Large Demand, and Residential Service rate classes.

The Notice of Petition for Waiver was submitted to the Secretary of State for publication in the January 31, 1997 Florida Administrative Weekly. No comments were submitted during the comment period which ended March 3, 1997.

DOCUMENT NUMBER-DATE

02460 MAR-65

FPSC-RECORDS/REPORTING

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power & Light Company's petition for waiver of the standard for load research in Rule 25-6.0437, Florida Administrative Code, for the General Service Non-Demand (GS) Class for the winter peak hour?

RECOMMENDATION: Yes. (WHEELER)

STAFF ANALYSIS: Rule 25-6.0437, F.A.C. addresses the Commission requirements for cost of service load research. Load research is used primarily to allocate costs in rate cases and in various adjustment clauses. The rule prescribes a minimum level of precision for estimates of each classes' summer and winter peak demands, and for the average of their 12 monthly coincident peak demands. Specifically, the rule requires that the estimates be within plus or minus 10% at the 90% confidence level. The rule also allows utilities to apply to the Commission for waiver of this requirement for any rate class.

FPL has requested that the precision level required by the rule be relaxed for the winter peak hour for its General Service Non-demand (GS) rate class. They are asking to be allowed to design their load research sampling plan for 1996 so that they estimate the GS winter peak within plus or minus 15% at the 90% confidence level. FPL is requesting this waiver in order to avoid the excessive cost of installing and reading the additional sample meters to meet the 10% accuracy level. FPL estimates that an additional 443 meters would have to be installed to increase the accuracy from the proposed 15% level to the 10% level required by the rule. The 15% level requires only 402 meters. The additional cost of the 443 meters is estimated by FPL to be \$506,000.

The Commission has approved requests for waiver of the rule with respect to the precision of the winter peak for the GS class for FPL for its last five sampling plans. In evaluating such waiver requests in the past, the staff has asserted that they should be granted when the peak hour for that class does not occur within the season for which the waiver is requested, and if the Commission is not currently using, for any utility, a cost of service methodology which allocates production plant on a single coincident peak hour. The first condition insures that the estimate of the class peak hour used to develop an allocation factor for distribution plant meets the precision requirement of the rule. The second condition insures that the allocation factors developed for production plant used in rate cases and in the recovery clauses meet the accuracy requirements of the rule.

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In this case, both conditions are satisfied. FPL's GS class peak demand for the last five years has occurred in the summer. The Commission is not currently using a single coincident peak methodology for any utility. Staff recognizes that the variability in the GS class often makes estimates of peak demands problematic, and that the cost to obtain the desired accuracy for FPL's winter peak is excessive. Staff therefore recommends that the waiver request be granted.

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ISSUE 2: Should the Commission approve FPL's petition for a continued waiver of the two-year sample replacement cycle for all rate classes contemplated by Rule 25-6.0437, F.A.C.?

RECOMMENDATION: Yes. (WHEELER)

STAFF ANALYSIS: In its 1994 sampling plan, FPL proposed to shift from its former practice of replacing sampling meters every two years to a program under which the samples would be replaced every three years. At that time, the staff was of the opinion that the intent of Rule 25-6.0437, F.A.C. was that the samples be replaced every two years, since the rule requires utilities to submit a current, revised sampling plan and to perform a complete study no less often than every two years. Based on this understanding of the rule, FPL applied for a waiver of the rule requirement with regard to the sampling replacement cycle. This waiver was approved by the Commission in Docket No. 941028-EI.

FPL has now applied for the same waiver with regard to its 1996 sampling plan. They indicated that the three-year cycle will save approximately \$300,000 when compared to the two-year cycle. Under the proposed sampling plan, the new GS samples would be installed for use in 1997. By 1998 the new General Service Demand (GSD) and General Service Large Demand (GSLD) meters would be in place. The Residential Service meters would be in place for use in 1999. This schedule results in each sample metered class being replaced every three years.

Staff believes that the continued use of the three-year replacement is reasonable. FPL currently produces load research results every year, although the rule requires results only every two years. The shift to a three-year cycle thus means that samples are used for three years instead of two. The sampled rate classes have been sufficiently stable to justify a three-year cycle, and staff recommends that its continued use be approved.

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ISSUE 3: Should the Commission approve FPL's sampling plan?

RECOMMENDATION: Yes, provided the Commission approves the two requests for waiver of Rule 25-6.0437, F.A.C. (WHEELER)

STAFF ANALYSIS: Based on FPL's filed sampling plan, it appears that FPL should meet the requirements of the rule with the exception of the winter peak hour for the GS class and the replacement cycle for load research samples. If the two requests for waiver are approved, the sampling plan should be approved.

ISSUE 4: Should this docket be closed?

RECOMMENDATION: Yes. If no person whose substantial interests are affected by the Commission's proposed agency action files a protest within twenty-one days of the issuance of this order, this docket should be closed. (JOHNSON)

STAFF ANALYSIS: If no person whose substantial interests are affected, files a request for a Section 120.57, Florida Statutes, hearing within twenty-one days of the issuance of this order, no further action will be required and this docket should be closed.