



# Public Service Commission

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**DATE:** OCTOBER 22, 2003

**TO:** DIRECTOR, DIVISION OF THE COMMISSION  
ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** OFFICE OF THE GENERAL COUNSEL (MOORE) *CTM*  
DIVISION OF ECONOMIC REGULATION (WHEELER, HEWITT) *BA*

**RE:** DOCKET NO. 030975-EI - PROPOSED AMENDMENT OF RULE 25-6.0437, F.A.C., COST OF SERVICE LOAD RESEARCH

**AGENDA:** NOVEMBER 3, 2003 - REGULAR AGENDA - INTERESTED PERSONS MAY PARTICIPATE

**RULE STATUS:** PROPOSAL MAY BE DEFERRED

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\GCL\WP\030975.RCM

### DISCUSSION OF ISSUES

**ISSUE 1:** Should the Commission amend Rule 25-6.0437, Florida Administrative Code, Cost of Service Load Research?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** Rule 25-6.037 requires investor-owned electric utilities to periodically conduct load research in order to determine the amount of demand placed on the system by each of the customer classes. This research in turn supports the allocation of costs to the customer classes in rate cases and in the cost recovery clause proceedings. The rule implements provisions of sections 350.117, 366.03, 366.04(2)(f), 366.05(1), 366.06(1), and 366.82(3)(4), Florida Statutes. These statutes authorize the Commission to require utilities to file reports and data; require rates to be fair and reasonable; and prescribe the Commission's responsibility to fix rates for each customer class, taking into consideration, among other things, the cost of providing service to

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each class. Section 366.01(1) specifically requires the Commission to consider the consumption and load characteristics of the various classes of customers when determining rates. Subsections 366.82(3) and (4) require the Commission to adopt conservation goals and require utilities to implement and report on programs, which may include load control programs, to meet the goals.

Rule 25-6.037 was first adopted in 1984 and has not been amended since. For the most part, the recommended changes to the rule streamline and ease reporting requirements. Because the results reported for the most recent load research cycles have been relatively stable, the rule is amended to require the filing of sampling plans and results every three years instead of the current two-year reporting requirement. In addition, the sampling plan requirements are modified to include data that are now collected through the discovery process in each recovery clause proceeding.

The following is a section-by-section summary of substantive changes to the rules:

Section (1) specifies that the rule is applicable to all investor-owned electric utilities that had gross retail sales of 500 gigawatt hours (GWH) or more in 1983. Under this criterion, four of the five investor-owned utilities are required to comply. Florida Public Utilities Company (FPUC) is exempted because they did not exceed the 500 GWH threshold in 1983. The recommended amendment to the rule updates the criterion to require investor-owned utilities that serve more than 50,000 retail customers to comply. FPUC served approximately 26,000 customers in 2001, so it will continue to be exempt from the requirements of the rule for the foreseeable future.

Section (2) is changed to specifically state that load research results will be used to allocate costs to the customer rate classes in the Commission's cost recovery clause proceedings. At the time the rule was adopted, the capacity and environmental cost recovery clauses did not exist, and conservation costs were not allocated using load research results. Currently, the latest available load research results are used to determine the allocation of costs in each of these cost recovery clauses.

Section (3) requires that a load research sampling plan be filed for Commission approval every two years. The plan must be designed to achieve a minimum level of precision for estimates of

the summer and winter class peak demands each rate class, and for the average of their 12 monthly coincident peak demands. Staff recommends relaxing this requirement from plus or minus ten percent to plus or minus 15 percent at the 90 percent confidence level for the General Service Non-Demand rate class. The General Service class is diverse, and the Commission has granted several rule waivers that have allowed Florida Power and Light Company to design their load research sampling plans for this relaxed precision requirement for the General Service class. The change will decrease the number of meters required to be sampled for the class.

Staff also recommends eliminating as superfluous the provision that merely authorizes a utility to apply for a waiver of the rule's requirements.

Section (6) is revised to provide that load research sampling plans be filed every three years instead of every two years.

Section (7) is changed to provide that load research study results must be filed every three years rather than every two years. Staff also recommends eliminating the requirement for utilities to submit estimated hourly load demand data for all 8,760 hours of the year for the residential rate class. These data are not used by staff for any purpose. If they are needed in the future, section 8 of the rule requires utilities to submit the data on request. Instead of hourly data, language is added to the rule to require that utilities calculate and file the 12 coincident peak and class load factors for each rate class. These load factors are used in the Commission's capacity, conservation, and environmental cost recovery clauses to determine the allocation of costs to the rate classes and are currently requested by staff during discovery in each of the recovery clause proceedings. Filing the load factors with the load research results will be more efficient.

Section (8) is modified to require utilities to provide estimated hourly demands by class within 30 days of a Commission request instead of the current 90 days. Staff believes 30 days is a reasonable time for utilities to provide information they already have available.

A notice of proposed rule development was published in the July 3, 2003, edition of the Florida Administrative Weekly. A rule development workshop was not requested or held.

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**Statement of Estimated Regulatory Costs:** A statement of estimated regulatory costs (SERC) was not prepared because adoption of the changes to this rule should not result in significant additional costs to the utilities, and there should be no significant negative impacts on utilities, small businesses, small cities, or small counties.

**ISSUE 2:** If no requests for hearing or comments are filed, should the rule as proposed be filed for adoption with the Secretary of State and the docket be closed?

**RECOMMENDATION:** Yes.

**STAFF ANALYSIS:** Unless comments or requests for hearing are filed, the rule proposed may be filed with the Secretary of State without further Commission action. The docket may then be closed.

Attachments:

Rule 25-6.0437  
SERC Memorandum

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3 25-6.0437 Cost of Service Load Research.

4 (1) Applicability. This rule shall apply to all investor-  
5 owned electric utilities over which the Commission has jurisdiction  
6 and which provide electric service to more than 50,000 retail  
7 customers at the end of any calendar year ~~had gross annual retail~~  
8 ~~sales of 500 GWH or more in 1983.~~

9 (2) Purpose. The primary purpose of this rule is to require  
10 that load research that supports cost of service studies used in  
11 ratemaking proceedings is of sufficient precision to reasonably  
12 assure that tariffs are equitable and reflect the true costs of  
13 serving each class of customer. Load research data gathered and  
14 submitted in accordance with this rule will also be used by the  
15 Commission to allocate costs to the customer classes in cost  
16 recovery clause proceedings, in evaluating proposed and operating  
17 conservation programs, for research, and for other purposes  
18 consistent with the Commission's responsibilities.

19 (3) Sampling Plan. Within 90 days of becoming subject to  
20 this rule, each utility ~~All utilities subject to this rule shall,~~  
21 ~~within 90 days of the effective date of this rule,~~ shall submit to  
22 the Commission a proposed load research sampling plan. The plan  
23 shall provide for sampling all rate classes that account for more  
24 than 1 percent of a utility's annual retail sales. The plan shall  
25

CODING: Words underlined are additions; words in ~~struck~~  
~~through~~ type are deletions from existing law.

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3 provide that all covered rate classes shall be sampled within two  
4 years of the effective date of this rule. The sampling plan shall  
5 be designed to provide estimates of ~~the summer and winter peak~~  
6 ~~demand by class~~ and the averages of the 12 monthly coincident peaks  
7 for each class within plus or minus 10 percent at the 90 percent  
8 confidence level. The sampling plan shall also be designed to  
9 provide estimates of the summer and winter peak demands for each  
10 rate class within plus or minus 10 percent at the 90 percent  
11 confidence level, except for the General Service Non-Demand rate  
12 class. The sampling plan shall be designed to provide estimates of  
13 the summer and winter peak demands for the General Service Non-  
14 Demand rate class within plus or minus 15 percent at the 90 percent  
15 confidence level Any utility subject to this rule may apply to the  
16 Commission to waive the requirements hereof for any specific  
17 covered rate class.

18 (4) Review of Proposed Plan. Except where a utility has  
19 requested a formal ruling by the Commission, within 90 days after  
20 submission, the Commission's Division of Economic Regulation  
21 ~~Electric and Gas Department~~ shall review each utility's plan to  
22 determine whether it satisfies the criteria set forth in Section 3  
23 above and shall notify the utility in writing of its decision  
24 accepting or rejecting the proposed sampling plan. If a proposed  
25 plan is rejected, the written notice of rejection shall state

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3 clearly the reasons for rejecting the proposed plan. If a  
4 utility's proposed plan is rejected the utility shall submit a  
5 revised sampling plan to the Commission within 60 days after  
6 receiving the notice of rejection. Where a utility has requested  
7 staff review of its sampling plan and the plan has been rejected  
8 the utility may petition the Commission for approval of the plan.  
9 If a utility has not submitted a satisfactory sampling plan within  
10 6 months following the submission of the initially proposed plan,  
11 the Commission may prescribe by order a sampling plan for the  
12 utility.

13 (5) Use of Approved Sampling Plan. The approved sampling  
14 plan shall be used for all load research performed for cost of  
15 service studies and other studies submitted to the Commission until  
16 a new sampling plan is approved by the Commission.

17 (6) Revised Sampling Plans. Each utility subject to this  
18 rule shall submit a current, revised sampling plan to the  
19 Commission no less often than every three ~~two~~ years after the most  
20 recent initial sampling plan was required to be submitted is  
21 approved. Any new or revised plan shall be developed using data  
22 from the utility's most current load research to determine the  
23 required sampling plan to achieve the precision required in Section  
24 3 of this rule. New or revised plans shall be reviewed by the  
25

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3 Commission pursuant to Section 4 of this rule.

4 (7) Load Research Data to be Reported. Each utility subject  
5 to this rule shall perform a complete load research study in  
6 accordance with the specifications of this rule ~~by December 31,~~  
7 ~~1985~~ and no less often than every three years ~~two years~~ thereafter.  
8 Each utility shall, within 120 days following completion of the  
9 study, submit to the Commission the results of each load research  
10 study completed after the effective date of this rule. The  
11 submission shall include a detailed calculation of the average 12  
12 coincident peak and class load factors for each covered rate class  
13 based upon the load research results ~~This submission shall include~~  
14 ~~the hourly load data described in Section (8) for the residential~~  
15 ~~class. The load research results of each study shall be submitted~~  
16 ~~in a form prescribed by the Commission.~~

17 (8) Hourly Data to be Available Upon Request. Each utility  
18 subject to this rule shall make available within 30 ~~90~~ days of a  
19 request by the Commission the estimated hourly demands by class for  
20 all ~~8760~~ hours in the year derived from this Load Research.

21 Specific Authority: 366.05(1), F.S., 350.127(2), F.S.

22 Law Implemented: 350.117, 366.03, 366.04(2)(f), 366.05(1),  
23 366.06(1), 366.82(3)(4), F.S.

24 History: New 3/11/84, formerly 25-6.437, amended.  
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# Public Service Commission

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**DATE:** September 25, 2003  
**TO:** Office of the General Counsel (Moore)  
**FROM:** Division of Economic Regulation (Hewitt) *CBA* *Y* *CA* *TSD*  
**RE:** Statement of Estimated Regulatory Costs for Proposed Amendments to Rule 25-6.0437, F.A.C., Cost of Service Load Research

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The Cost of Service Load Research rule contains the requirements for Investor-Owned Electric Utilities (IOUs) to provide load research data to support cost of service studies used in ratemaking proceedings.

The rule amendments would streamline and, on balance, loosen the submission requirements to better reflect Commission staff needs. The applicability of the rule would be changed from a retail sales threshold to a number of retail customers threshold. Sampling plan requirements along with coincident peak and class load requirements would be modified to include data that are now collected through the discovery process in each recovery clause proceeding.

The Administrative Procedures Act encourages an agency to prepare a Statement of Estimated Regulatory Costs (SERC). However, there should be minimal costs to the IOUs and no significant negative impacts on small businesses, small cities, or small counties. Therefore, a SERC will not be prepared for the proposed rule amendments at this time.

cc: Mary Andrews Bane  
David Wheeler  
Hurd Reeves