

Diamond Williams

090079-EI

From: Stright, Lisa [Lisa.Stright@pgnmail.com]
Sent: Thursday, July 01, 2010 8:36 AM
To: Filings@psc.state.fl.us
Cc: Burnett, John; Holdstein, Nancy L
Subject: E-Filing: PEF Report on TOU Rate - Dkt# 090079-EI
Attachments: FINAL (Signed) - TOU Report (7.1.10).pdf

This electronic filing is made by:

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Docket No. 090079-EI

On behalf of Progress Energy Florida

Consisting of 9 pages.

**The attached document for filing is
PEF's Report on the Development
Of a Multi-Tier Commercial TOU Rate
Pursuant to Order No. PSC-10-0131-FOF-EI
In the above referenced docket.**

Lisa Stright

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7/1/2010

DOCUMENT NUMBER-DATE

05415 JUL-1 2010

FPSC-COMMUNICATIONS



July 1, 2010

Via Electronic Filing

Ms. Ann Cole, Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

Re: Petition for increase in rates by Progress Energy Florida, Inc.; Docket No. 090079-EI

Dear Ms. Cole:

PSC Order No. PSC-10-0131-FOF-EI issued in the above-referenced docket required Progress Energy Florida, Inc.'s ("PEF") to develop a multi-tier commercial time-of-use rate or prepare a report on the status in analyzing a commercial time-of-use tariff by July 1, 2010. Please find enclosed PEF's Report on the Development of a Multi-Tier Commercial Time-of-Use Rate.

Thank you for your assistance in this matter. Please feel free to call me at (727) 820-5184 should you have any questions.

Sincerely,

A handwritten signature in black ink that reads 'John T. Burnett' followed by the initials 'LMS'.

John T. Burnett
Associate General Counsel

JTB/lms

DOCUMENT NUMBER DATE

05415 JUL-10

FPSC-COMMISSION CLERK

DOCKET No. 090079-EI
PROGRESS ENERGY FLORIDA
REPORT ON DEVELOPMENT OF A MULTI-TIER
COMMERCIAL TIME OF USE RATE
JULY 1, 2010

Introduction

Progress Energy Florida (PEF) was required by the Florida Public Service Commission (FPSC) in its Order No. 10-0131-FOF-EI in Docket No. 090079-EI to either develop a multi-tier commercial time-of-use rate, or report on the progress in analyzing such a tariff by July 1, 2010. In this order there was discussion of parties' positions in regard to PEF's time of use (TOU) rate offerings including the definition of the current TOU periods. The Association For the Fairness In Rate Making (AFFIRM), who represents the quick serve restaurants Wendy's, Arby's, Waffle House and the YUM! Brands, believed PEF's TOU rate design was not effective for its members. AFFIRM asserted that PEF's current TOU periods are too broadly defined and that PEF should introduce more time periods such that the on peak hours could be more narrowly defined and pricing in "shoulder periods", presumably those surrounding the more narrow on-peak periods, could be priced at a lower rate. The Order also stated that the data required to consider changing the TOU periods was not available in the docket and that any change would need to consider the overall impact (in costs and revenues) to the entire body of ratepayers, not just those customers who stand to benefit from the change.

PEF's Current Commercial TOU Tariffs

PEF currently has the following optional TOU tariffs available to commercial customers:

- GST-1 – General Service Non-Demand TOU
- GSDT-1 – General Service Demand TOU
- CST-1 – Curtailable General Service TOU (closed to new customers)
- CST-2 – Curtailable General Service TOU
- CST-3 – Curtailable General Service TOU

IST-1 – Interruptible General Service TOU (closed to new customers)

IST-2 – Interruptible General Service TOU

For all TOU tariffs, the on-peak hours are defined as:

Apr - Oct – 12 pm to 9 pm

Nov - Mar – 6 am to 10 am and 6 pm to 10 pm

Excluding weekends and defined holidays

Off- peak hours are defined as all hours other than on-peak hours.

These on and off peak hours were originally determined by the FPSC in Order No. 9661 dated 11/26/80 in Docket No. 780793-EU. These periods were determined by the FPSC after a thorough review of the state-wide utility loads and the 4 largest IOU's were required to establish TOU rates using these hours consistently. Electric loads in peninsular Florida are primarily driven by weather. Although the time of use periods were established 30 years ago, a review of 30 years of weather data indicates the primary driver of electric loads has not changed substantially since these periods were established

PEF's current TOU rate design was originally established in its 1991 rate case Docket No. 910890-EI and was designed as a break even with the standard rate for each rate class using the class average on and off peak usage. Customers that benefit from TOU rates have an on-peak usage percentage that is less (or more favorable) than the class average on-peak usage. In addition to base rate charges, PEF also has TOU fuel rates, whereby the customers taking service under TOU rates further benefit from their more favorable than average load characteristics. Many state jurisdictions do not have time-differentiated fuel rates even though fuel costs are a significant component of customers overall bills and are typically the most volatile over different time periods than other costs of serving electric customers, so PEF's customers enjoy an additional benefit from the TOU fuel rate beyond the benefit they receive from the base rate TOU charges.

Review of Hourly System Load and Peak Hour Data

PEF reviewed its actual hourly load data for the 3 year period of 2007-2009 (adjusted for the effects of any exercised direct load control) and reviewed the monthly peak hour data for the 20 year period of 1990-2009. This review indicated that the current time of use periods are appropriate. Although the periods may appear to be broad as compared to the actual peak hour occurrences, for the peak hour days, the loads in the hours surrounding the peak hour are consistently high as compared to the peak hour loads. A comparison of the average hourly load profiles for the years of 2007-2009 shows that the loads on peak hour days distinctly peak during the currently defined peak hours. Attachment A includes graphical presentations of the average winter and summer load profiles showing peak hour day profiles as well as the load profiles for the non-peak hours days separated by weekdays and weekends. Accordingly, the currently defined peak hours are appropriate and introducing additional time rating periods is not necessary.

Direct Load Control vs. TOU rates

While one of the primary objectives of TOU pricing is to encourage customers to shift load from on-peak times to off-peak times, many commercial customers cannot achieve significant load shifting since their loads are primarily driven by their customer's behavior. However, direct load control can often be effective for commercial customers where high peak period loads can be controlled over short periods of time such as reducing air conditioning or lighting loads. Direct load control programs are far more effective than TOU rates for achieving peak load reductions. In fact, as part of PEF's proposed Demand Side Management programs plan in Docket No. 100160-EI, PEF has introduced a new commercial "Business Energy Response" load control program. The proposed tariff is titled "General Service Demand Response" (GSDR-1) and provides for participating commercial customers to be paid a critical peak rebate for either reducing load or allowing the Company to control load upon request.

Issues Specific to AFFIRM's Customers

- 1) The directive from the Commission to analyze a multi-tier TOU rate arose in response to concerns raised by the intervenor AFFIRM. As the Commission recognized in its Order No. 10-0131-FOF-EI in Docket No. 090079-EI, PEF does

not have the load research data required to determine if changes in the time of use periods and new rate design would benefit AFFIRM'S customers. PEF would need to measure the usage of AFFIRM'S customers at more discrete intervals than is currently available to consider designing new TOU periods and a new tariff that would be beneficial to AFFIRM'S customers. However, PEF would need to consider the impact and costs that any new rate design would have on all its commercial customers, not just the customers that are represented by AFFIRM. It would not be appropriate to design our rates and incur costs to benefit any one customer or one type of customer.

- 2) AFFIRM represents a coalition of quick serve restaurants. PEF believes that due to the nature of the types of businesses they represent a significant portion of their load would occur during the on-peak periods and that their usage is substantially driven by the customers that they serve. Based on the nature of the businesses that AFFIRM represents, it seems unlikely that any change in time of use periods or associated rate design would result in a sustained change in AFFIRM's customers usage patterns or load on PEF's system. However, they may be able to benefit from the proposed GSDR-1 tariff which could compensate them for controlling load for short periods during critical peak times. PEF encourages AFFIRM's customers to review the specific tariff requirements and features of this program as a potential tool to reduce their electric costs when it becomes available.
- 3) Most AFFIRM customers are served under PEF's GSDDT-1 rate and typically do have a more favorable on-peak percentage than the GSD class average and therefore are currently receiving a benefit from PEF's GSDDT-1 rate without having had to change their usage pattern.
- 4) In order to help this group of customers understand their electric usage and charges and to assist them in exploring rate design alternatives that could be beneficial to them and also be fair to PEF's other customers, PEF is willing to install a limited number of load research meters on AFFIRM customer's premises and gather hourly usage data for a period of one year. PEF is willing to analyze this data and review the results with AFFIRM and/or their customers to determine if certain modifications to the time of use periods and associated rate design would be appropriate. PEF would also have to give further consideration to when might be an appropriate time to implement any such changes.

Programming Requirements to Implement a Multi-Tier TOU rate

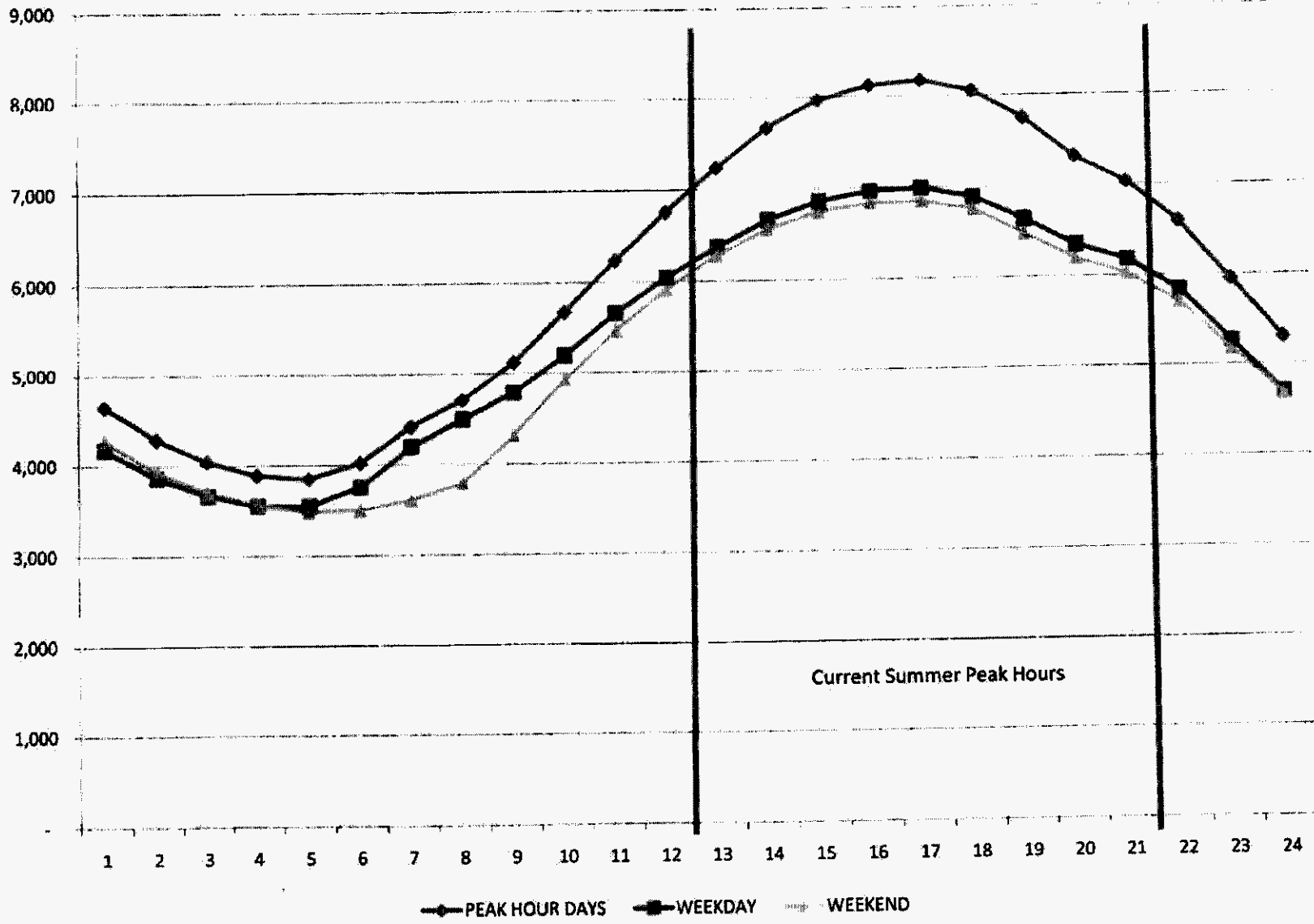
In order to introduce any new time rating periods in tariff offerings, PEF would have to understand and evaluate both the cost and time requirements that would be involved in programming changes to its billing system, meter data system, meters and customer bill presentation. In addition, there could be ongoing increased meter reading costs. PEF estimates that implementing a multi-tier time of use tariff would create significant requirements both in terms of programming costs and time.

Conclusion

While PEF believes that direct load control programs are much more effective resources than time of use rates for reducing peak loads, PEF is willing to do additional load research for AFFIRM's customers, and work with AFFIRM to evaluate their customers' usage characteristics and consider alternative time of use rate designs that might be cost effective and beneficial to AFFIRM's customers while being fair to the general body of ratepayers.

Attachment A
Average Summer and Winter
Hourly Load Profiles
Actual for the period of 2007-2009

PEF Average Summer Hourly Load Shape 2007-2009 (MW)



PEF Average Winter Hourly Load Shape 2007-2009 (MW)

