Marguerite McLean

100358-EI

From: Goorland, Scott [Scott.Goorland@fpl.com]
Sent: Tuesday, September 28, 2010 1:03 PM
To: Filings@psc.state.fl.us
Subject: Electronic Filing / Docket 100358-EI / FPL's Reply to AFFIRM's Response of 9/2/10
Attachments: 9.28.10. Dkt 100358 Transmittal to Cole (AFFIRM Reply).pdf

Electronic Filing

a. Person responsible for this electronic filing:

Scott A. Goorland, Esq.
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b. Docket No. 100356-EI
In re: Petition for rate increase by
Florida Power & Light Company

c. Documents are being filed on behalf of Florida Power & Light Company.

d. There are a total of 7 pages in the attached document.

e. The document attached for electronic filing is Florida Power & Light Company's Reply to AFFIRM's Response of September 2, 1010

Thank you for your attention and cooperation to this request.

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September 28, 2010

- VIA ELECTRONIC DELIVERY -

Ms. Ann Cole
Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard, Room 110
Tallahassee, Fl 32399-0850

RE: Docket No. 100358-EI: Investigation into the design of Commercial Tine-of-Use rates by Florida Power & Light, pursuant to Order No. PSC-10-0153-FOF-EI

Dear Ms. Cole:

Enclosed please find for filing in the above docket Florida Power & Light Company's Reply to AFFIRM's Response of September 2, 2010.

If there are any questions regarding this transmittal, please contact me at 561-304-5633.

Sincerely,

/s/Scott A. Goorland

Scott A. Goorland

cc: All parties of record

FPL's Reply to AFFIRM's response of September 2, 2010

Docket No. 100358-EI

September 28, 2010

On September 2, 2010, AFFIRM filed a response to FPL's August 2, 2010, Study Report on Review and Analysis of a Potential Multi-Period Time-of-Use Rate for Commercial & Industrial Customers (Docket 100358-EI). The response filed by AFFIRM reflects a position that was modified from that previously provided to FPL in their June 17, 2010, memo included as Attachment 2 to FPL's August 2, 2010, report. FPL's report responded to AFFIRM's position as stated in their June 17 memo. AFFIRM's response also contains a number of erroneous interpretations of data provided in FPL's study as well as other inaccurate factual assertions. The following reply comments are intended to address new or substantive comments provided by AFFIRM in their response and are in no way intended to address all claims and inaccuracies that make up the AFFIRM response. As such it is noted that a lack of reply comments to every inaccuracy does not imply acceptance by FPL of the statements made by AFFIRM.

1. Demand Allocation

The AFFIRM response correctly states that demand related costs are appropriately allocated on the basis of the cost-of-service (COS), which in FPL's case is the 12-CP and $1/13^{th}$ COS methodology. AFFIRM, however, then incorrectly implies that on-peak hours are set based entirely on the winter/summer peak hours [A.R., page 5, 3rd full paragraph[1]]. While it is the goal to capture the peak hour in the on-peak period definition, other considerations also come into play such as energy usage, the distribution of peak hours, and other operational issues, such as winter loads in the evening. The use of the two graphs in the FPL report as referenced by AFFIRM was to illustrate that the current peak period definition captures the peak periods as intended. The graphs are not used for cost allocation and the appropriate COS methodology is applied. Additionally, FPL provided 12 months of peak day hourly charts in Attachment 1 of the FPL report, as well as reviewed multiple years of hourly data as was discussed in meetings with AFFIRM.

The AFFIRM response states on page 8 that,

> "As stated above, the appropriate means to allocate demand-related costs is to examine the monthly peak hour and then determine the contribution of each customer or customer class in that hour. For ratemaking purposes, this approach is impractical because the utility is unsure when such monthly peak hour will occur. Accordingly, most utilities, including FPL, have adopted a "second best" approach that measures the non-coincident peak of a customer or customer class during a period in which a peak is most likely to occur."

The implication of the AFFIRM response, that demand costs are allocated on a customer specific basis, is not correct. This statement also suggests that FPL uses the non-coincident demand as the basis for cost allocation. This is clearly not the case as demand-related production and transmission plant costs are allocated to the GSD and all other rate classes based on each class's contribution to the monthly system peaks.[2] Statistically valid load research data developed in compliance with Rule 25-6.0437, Florida Administrative Code, Cost of Service Load Research, is used and coincident peak data by rate class is the basis for the COS allocation of production and transmission costs. FPL uses non-coincident rate class demand for rate design purposes, and therefore it is correct to bill the customer based on maximum (non-coincident) demand.

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[1] As used in this document, the term "A.R." refers to the AFFIRM response filed on September 2, 2010 in this docket, and specifies the page number and, where possible, section of the page.

[2] Non-coincident rate class demand is used to allocate certain distribution costs consistent with the distribution planning process.

2. Quick Service Restaurants (QSR) & FPL Load Shapes

The AFFIRM response states that FPL's conclusions related to the differences in load shapes between the QSRs and the associated rate class (GSD) are "erroneous" [A.R., page 6, 2nd full paragraph] because FPL "only examined summarized loads." As demonstrated in Attachment 1 of the FPL report, a review of hourly load profiles was conducted by FPL. Additionally, FPL reviewed 30-minute interval data provided by AFFIRM for QSRs located in Georgia. The review of the QSR load shapes was discussed at length during our meetings with AFFIRM, FPSC staff and other parties, with FPL outlining steps to deploy meters to obtain additional load data for QSRs. AFFIRM agreed that the deployment of additional meters was not necessary, instead changing direction and focusing on a modified TOU rate to offer the GSD rate class.

Similarly, the AFFIRM response indicates that QSR load profiles vary significantly based on "different modes and hours of operation." [A.R., Page 5 last paragraph continuing onto Page 6] Taken with AFFIRM's other incorrect assertion that FPL only looked at summarized load, this seems to imply that AFFIRM would want FPL to evaluate QSRs on a customer by customer basis as compared to a single class. This approach would not be practical, but the acknowledged variability in QSR load profiles continues to support the FPL position that the QSR load profile is not unique to the point of requiring a new rate class or unique rate offering.

Along similar lines, AFFIRM uses an example to illustrate what they term a "contra" load shape. Based on the AFFIRM definition of a contra load shape (customer A in their example) a group of customers with a system inverted load shape might justify a specialized rate class being created. However, the QSR load shapes reviewed by FPL (both existing FPL customers and Georgia customer interval data provided by AFFIRM) do not have this inverted load shape but instead peak across the on-peak period similar to the GSD class of customers. As can be seen in the example provided in Attachment 1-R, this is what contributes to the long, relatively flat peak period that is described in the FPL report.

The AFFIRM response states that, "FPL offers no explanation of why a "long, relatively flat peak" from HE 1300 to HE 2100 is the most effective means by which to satisfy the primary criterion for the making of TOU rates." [A.R., Page 7, 1st full paragraph] AFFIRM seems to have misinterpreted the context in which this statement is made. Section III of the FPL report outlines that the typical summer load shape for the system is long and relatively flat across the peak period (as outlined in the previous example). As such, the TOU period as currently defined is appropriate for sending the price signal to customers.

3. Three-Hour On-Peak Period

The AFFIRM response places great weight on the specific hour that the system peak has historically occurred versus identifying an on-peak **period** in which the peak and near-peak hours are likely to occur and in which energy consumption is at higher levels. Sending a large price signal during a narrow 3-hour time period would incent customers to shift load outside of this narrow period. Given that FPL's overall load is relatively flat, a strong price signal over a short period of time (such as is proposed by AFFIRM) has the potential to create a new system peak outside of the shortened on-peak period. (See Attachment 2-R).

FPL does, however, offer a rate with a 3-hour summer on-peak time period (SDTR) that was summarily dismissed by AFFIRM on the basis that an FPL witness in a prior rate case indicated that likely participants in the rate would be involved in the agricultural and educational sectors

[A.R., Page 18]. This statement was certainly not meant to be an exhaustive list of the customers that could benefit from the rate. As outlined in the FPL report, analysis shows that at least one of the five QSRs with available hourly load data would be better off under the SDTR rate (with 2 more benefiting under existing GSDT-1 rate) with no change in their current operations. As discussed by that same FPL witness in the same testimony[3], the SDTR was not designed solely on the basis of customers in the referenced sectors, but rather

> "FPL's objective in offering the Seasonal Demand TOU rider is to provide a time-differentiated rate with a narrower on-peak window than that specified under the standard TOU rates."[4]

The FPL witness goes on in the testimony to describe in detail how the STDR rate is designed to reflect FPL's COS.

AFFIRM acknowledges that FPL's load control option (Business On-Call) might also benefit some QSR customers. The Business On-Call program cycles a participating customers AC load off-line for 15-minutes in a given 30-minute period, with a limit of 6-hours. This translates to no more than 3-hours of load reduction over a 6-hour period on a day when the program is activated.

The acknowledgement that some QSRs benefit from FPL's varying rate options (SDTR, GSDT, and Business On-Call program) while others do not, runs counter to AFFIRM's claim of a strong correlation existing between all QSRs such that a special rate is needed. Additionally, AFFIRM outlines concerns it has in participating in a load control program related to an "exposure to loss of revenues of other additional operating costs." [A.R., Page 17, 3rd full paragraph] This statement suggests that AFFIRM desires FPL to create a rate to provide discounts to its members without corresponding system benefits (i.e., cost reductions).

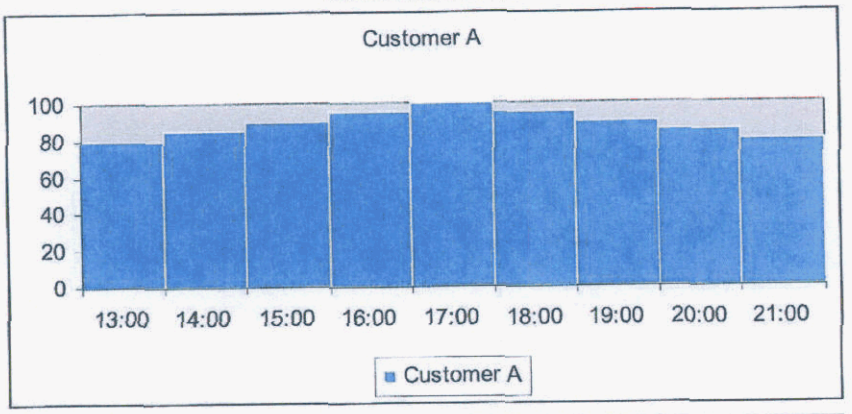
4. Miscellaneous

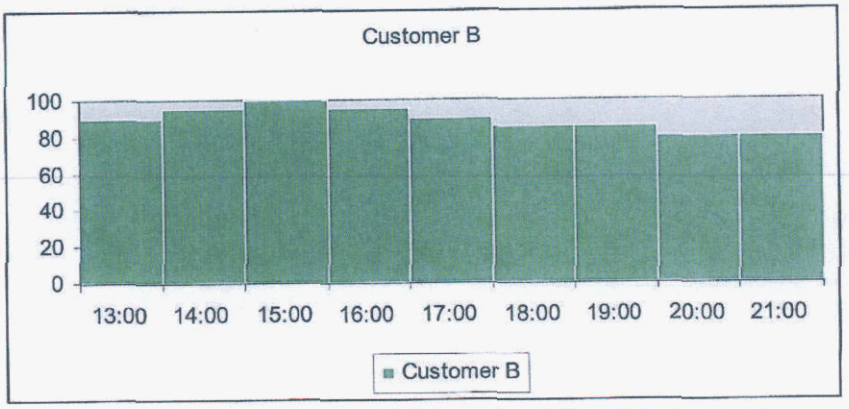
In its response, AFFIRM misinterprets information discussed in meetings related to a real-time pricing (RTP) program that FPL had previously developed, which had been cancelled. [A.R., Page 18 onto Page 19] The rate was indeed cancelled because of a lack of participation and a corresponding lack of response to price signals. The point of that topic, however, was that the FPL generation cost curve, given the nature of our long, relatively flat load curve and generation mix, did not create significant price signals through the RTP program. As noted in the order closing the pilot, even when FPL experienced a few days of high costs and price variability, customers did not respond to the price signals.

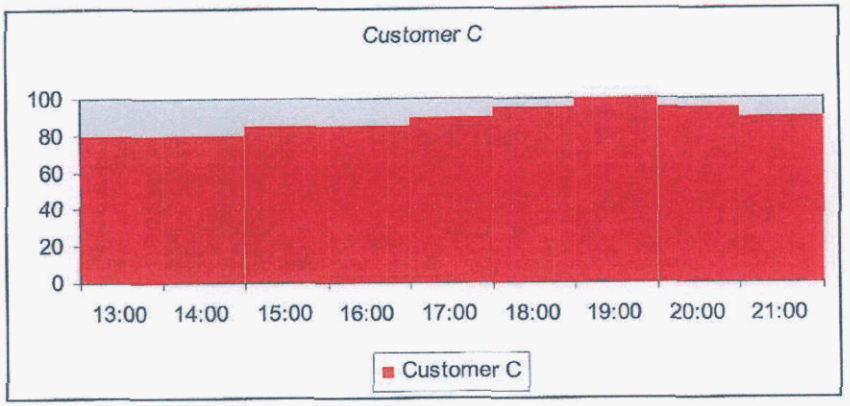
Additionally, the response suggests that FPL represented during discussions that "rates are not designed to provide any sort of incentive for a customer to shift its load or energy usage." [Page 19] This is inaccurate. Rather, FPL noted in these discussions that rates are designed in accordance with FPSC rulings and guidelines and that TOU rates are designed to send a signal to avoid peak periods, and thus reduce/defer the need for new capacity.

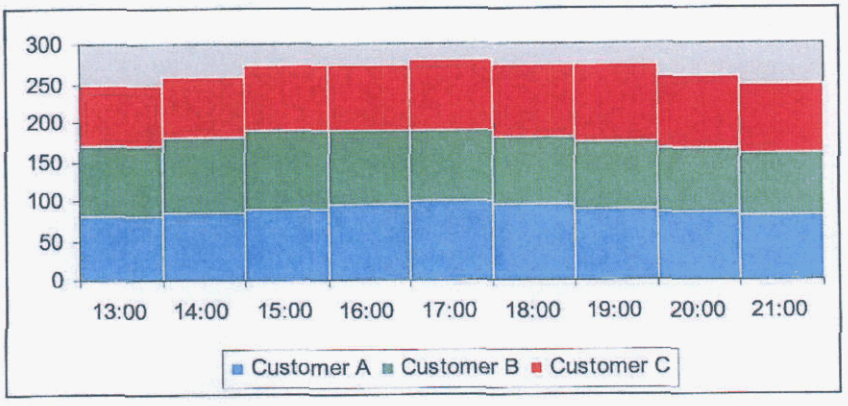
[3] Testimony of FPL Witness Rosemary Morley, Petition for rate increase by Florida Power & Light Company, Docket No. 050045-EI.
[4] Id.

Attachment 1-R









Attachment 2-R

Example of a customer receiving a large price signal during HE 1600 to HE 1800 and shifting load outside of peak period, while maintaining same kWh.