

## BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Request by Tampa Electric Company)	DOCKET NO. 870408-EI
for Approval of its Non-firm load )	ORDER NO. 22231
Methodology and Annual Targets. )	ISSUED: 11-28-89
_____)	

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING TECO'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 that offers 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 reviewed and updated by each utility and filed for Commission approval no less often than every two years. TECO offers two types of non-firm electric service: direct load control management and interruptible.

This docket has been combined with the other non-firm rule dockets (Dockets Nos. 870189-EI, 870197-EI, and 870408-EI) for hearing only. The purpose of this hearing was to: (1) decide the proper methodology for determining the cost-effective annual

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target levels for Gulf's interruptible standby service over TECO's planning horizon pursuant to Rule 25-6.0438; to determine those annual target levels using the approved methodology; (2) determine the proper means of implementing those target levels; and, (3) make findings pursuant to 18 C.F.R. Subsection 292.305(b)(2) on whether the provision of standby interruptible service will either impair TECO ability to render adequate service or place an undue burden on the electric utility. As indicated in Order No. 19798, the purpose of the proceeding was not to fix new rates for non-firm service or approve new rate designs for either full requirements or standby non-firm customers.

At the October 17, 1989 Agenda Conference, we were advised by Staff that Rule 25-6.0438, Florida Administrative Code, had become unworkable to the extent it required 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 directed Staff to revise the rule. We find, therefore, that issues in this docket relating to annual target levels should be deferred until Rule 25-6.0483 is revised. Until that time, we will refrain from ruling on factual issues associated with annual target levels. Those issues include the determination of acceptable annual target levels of interruptible load and for direct load control management, and the proper implementation of the annual target levels.

The methodology proposed by TECO to determine maximum cost-effective interruptible load is found in Exhibit 801 of the direct testimony of John B. Ramil. This methodology is summarized as follows: The first step is to determine the practical maximum non-firm load. It is assumed that the sum of the firm load which can be reliably served and the maximum non-firm load at time of peak should not exceed the capacity of the generating system. With this restriction, and using a 20 percent winter peak reserve margin, the practical maximum non-firm load can be calculated to be 512 MW. Since there are two basic types of non-firm load (load management and interruptible), the sum of both types of load cannot exceed 512 MW. The second step in the method is to determine the maximum cost-effective level of direct load control management. This part of the method is calculated to be 234 MW by 1995, the year in which the reserve margin falls below 20 percent assuming that the maximum practical non-firm load is achieved. This means

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that the maximum level of interruptible load in 1995 cannot exceed 278 MW (i.e., 512 MW - 234 MW = 278 MW.) The next step in the procedure is to test the cost-effectiveness of interruptible load.

If the test shows that it is cost-effective to add interruptible load, then the difference between the current level and 278 MW may be added by 1995. The cost-effectiveness test for interruptible load is based on a comparison of present worth revenue requirements associated with two generation expansion plans -- one with no additional interruptible load and one with sufficient interruptible load to defer the first needed plant for one year. The costs for interruptible load are the lost revenues that occur because of the rate differential between interruptible and firm customers, and the benefits are the capacity deferral benefits. As can be seen from Exhibit 803, it is not cost-effective to add interruptible load until 1990. Beginning in 1990, additional interruptible load may be added with the restriction that the total (existing plus new) of 278 MW in 1995 cannot be exceeded. The proposed methodology would allow the additional load to be added in even increments over the period 1990-1995.

The Florida Industrial Power Users Group (FIPUG) agrees that TECO's method can reasonably quantify the capacity deferral benefits associated with additional interruptible load. However, FIPUG claims that there are other quantifiable benefits that the method fails to account for. However, FIPUG has not, itself, been able to quantify these benefits. This is not to say that, as time goes on, the methodology that TECO has developed shouldn't be further refined as suitable methods are developed to quantify other costs and benefits. At this time, however, we find, that TECO's methodology adequately addresses the significant costs and benefits of interruptible load.

The methodology proposed by TECO to determine maximum cost-effective load management is also found in Exhibit 801 of the direct testimony of John B. Ramil. This methodology is summarized as follows: The first step is to determine the maximum practical level of total non-firm load. As noted, this was determined to be 512 MW by the end of 1994. Therefore, subject to cost-effectiveness constraints, up to 512 MW of load management and interruptible load combined may be added to the system by the end of 1994. Several generation expansion plans are developed assuming differing rates of growth for direct load

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control management. The present worth revenue requirements of these plans are compared with the present worth revenue requirements of a plan with no additional load management to determine the relative benefits of the expansion plans. The benefits are then compared to the one-time and recurring costs of the load management programs to determine which plan yields the greatest net benefits. The plan chosen is consistent with customer acceptance and customer penetration rates. We find this methodology acceptable.

We further find that the Commission does not have the authority under Rule 25-6.0438 and Section 366.076, Florida Statutes, to close approved tariffs which have been determined to be non cost-effective to existing customers. This decision is consistent with that 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, the Commission ruled that "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 that in Order No. 18254, the Commission only addressed this issue as it relates to existing customers receiving service under approved tariffs. We find that the Commission may completely close approved tariffs to new customers outside the context of a rate case.

We further find that Rule 25-6.0438, allows separate annual target levels to be established for interruptible load and standby interruptible service. While this issue is associated with annual target levels, it does not involve the development or implementation of them, but an interpretation of the rule. Therefore, we rule on, not defer, this issue. 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

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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 type of non-firm electric service offered.

Rule 25.6.0438(5)(a) (emphasis added).

We also find 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 that our ruling on issues associated with TECO's annual target levels are deferred until Rule 25-6.0438, Florida Administrative Code, is revised. It is further

ORDERED that the methodology proposed by TECO to determine the maximum level of cost-effective interruptible load is approved. It is further

ORDERED that the methodology proposed by TECO for establishing the maximum level of cost-effective direct load control management is approved. It is further

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

ORDERED that Rule 25-6.0438, Florida Administrative Code, allows separate target levels to be established for interruptible load and standby interruptible service. It is further

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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.

  
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STEVE TRIBBLE, Director  
Division of Records and Reporting

( S E A L )

SBr

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.