

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition of Gulf Power Company)	DOCKET NO. 881055-EQ
for approval of non-firm methodology)	
and annual target levels for inter-)	ORDER NO. 22921
ruptible standby service.)	
_____)	ISSUED: 5-10-90

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 NON-FIRM METHODOLOGY
FOR STANDBY SERVICE

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 own 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 every two years.

Pursuant to Order No. 19547, Gulf Power Company (Gulf) was required to file an interruptible standby tariff and develop and file a methodology and cost-effective annual target levels in compliance with Rule 25-6.0438. Pursuant to Order No. 19798, issued on August 12, 1988, Gulf filed its interruptible standby tariffs on August 8, 1988 and testimony on its

DOCUMENT NUMBER-DATE

04091 MAY 10 1990

PSC-RECORDS/REPORTING

ORDER NO. 22921
DOCKET NO. 881055-EQ
PAGE 2

proposed methodology and annual target levels for interruptible standby service on August 22, 1988. Order No. 19937, issued on September 6, 1988, applied all of the rulings made in Order No. 19798 to this docket to the extent relevant.

This docket was combined with the other non-firm dockets (Dockets Nos. 870189-EI, 870197-EI and 870408-EI) for hearing only. The purpose of the hearing was to decide the proper methodology for determining the cost-effective annual target levels for Gulf's interruptible standby service over Gulf's planning horizon pursuant to Rule 25-6.0438; to determine those annual target levels using the approved methodology; to determine the proper means of implementing those target levels and to make findings pursuant to 18 C.F.R. Subsection 292.305(b)(2) on whether the provision of standby interruptible service will either impair Gulf's 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.

Pursuant to Order No. 22234, issued on November 28, 1990, the Commission directed Staff to revisit Rule 25-6.0438 and found that issues relating to annual target levels should be deferred until the rule was reevaluated. The Commission also found that Gulf's submitted methodology for determining the cost-effectiveness of interruptible standby service (ISS) was unacceptable and directed Gulf to formulate and resubmit a methodology for approval within 60 days of the date of the order. In formulating its methodology, Gulf was instructed to compare the costs of its generation expansion plans with and without ISS to the benefits which Gulf's ratepayers would experience under each scenario.

Gulf resubmitted its methodology and a request to approve annual target levels for interruptible standby service on January 29, 1990. In developing its methodology, Gulf assumed that the maximum level of non-firm interruptible standby load would be based on the current projection of standby load. This is because the only type of non-firm service which Gulf currently offers is ISS. The maximum amount of ISS load would be Gulf's projection of standby load, assuming that all of the standby service customers choose interruptible service. This

ORDER NO. 22921
DOCKET NO. 881055-EQ
PAGE 3

method of determining the maximum level of non-firm interruptible standby load is appropriate for Gulf since their projected standby load is lower than their maximum theoretical limit of interruptible service.

Because Gulf's maximum level of non-firm interruptible standby service is so low (Gulf's forecast includes 1.8 MW of standby demand in 1990 increasing to 8.0 MW in 2008), offering an interruptible standby rate will not result in the deferral or avoidance of any additional generating units. However, offering ISS will affect Gulf's production costs. In its analysis, Gulf compared the savings in production costs to the revenue reductions which would occur as a result of offering ISS. The analysis shows that if Gulf interrupts the standby load at the time of peak and customers make up the energy during an off-peak period, offering ISS would be cost-effective beyond the year 2000. If these customers do not make up the energy in an off-peak period, offering ISS would be cost-effective starting in 1990.

We find that this methodology is acceptable for determining whether offering ISS is cost-effective to Gulf's customers. We note, however, that this methodology was developed using assumptions related to interruptible standby service only. Should Gulf decide to offer full-requirements interruptible service or other types of non-firm services, a new methodology would have to be developed and approved by this body. We also note that we found in Order No. 22234 that we would defer rulings on issues related to annual target levels until Rule 25-6.0438 is reevaluated. Thus, we specifically decline to rule upon the annual target levels submitted in Gulf's petition of January 26, 1990.

Based on the above, it is

ORDERED by the Florida Public Service Commission that the methodology submitted by Gulf Power Company for determining the cost-effective level of interruptible standby service on its system is hereby approved as discussed in the body of this order. It is further

ORDER NO. 22921
 DOCKET NO. 881055-EQ
 PAGE 4

ORDERED that we make no finding at this time on the annual target levels of interruptible standby service which are cost-effective to Gulf Power Company's ratepayers.

By Order of the Florida Public Service Commission
 this 10th day of MAY, 1990.

 STEVE TRIBBLE, Director
 Division of Records and Reporting

(S E A L)
 SBr/03611
 (6879L)

by: Kay Flynn
 Chief, Bureau of Records

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.