

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Approval of Demand-Side) DOCKET NO. 941170-EG
Management Plan of FLORIDA POWER) ORDER NO. PSC-95-0865-FOF-EG
& LIGHT COMPANY.) ISSUED: July 17, 1995
_____)

The following Commissioners participated in the disposition of this matter:

SUSAN F. CLARK, Chairman
J. TERRY DEASON
JOE GARCIA
JULIA L. JOHNSON
DIANE K. KIESLING

ORDER APPROVING COMMERCIAL AND INDUSTRIAL
LOAD CONTROL PROGRAM

BY THE COMMISSION:

CASE BACKGROUND

The Florida Energy Efficiency and Conservation Act (FEECA), Chapter 366.82, Florida Statutes, requires the Commission to adopt goals to reduce and control the growth rates of electric consumption, and to reduce and control the growth rates of weather sensitive peak demand. In Order No. PSC-94-1313-FOF-EG, issued October 25, 1994, we set numeric demand-side management (DSM) goals for the four largest investor owned electric utilities, including Florida Power & Light Company (FPL). Rule 25-17.0021 (4), Florida Administrative Code, states that within 90 days of a final order establishing goals, each utility shall submit a DSM plan designed to meet the utility's goals. Each utility filed its DSM plan following extensions granted by the prehearing officer.

At our May 16, 1995, Agenda Conference, we did not approve FPL's Commercial/Industrial Load Control (CILC) Program in conjunction with the rest of the company's DSM Plan, because discovery responses related to the CILC program remained outstanding and our staff had not completed their analysis. Since then our staff completed the analysis and we considered their recommendation on the program at our June 27, 1995, Agenda Conference.

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

PROGRAM APPROVAL

Upon consideration, we approve FPL's Commercial Industrial Load Control Program, and the attached tariffs for cost recovery. Order No. 22176, issued November 14, 1989, established the following criteria by which we judge conservation programs:

1. Does each component program advance the policy objectives set forth in Rule 25-17.001 and the FEECA statute?
2. Is each component program directly monitorable and yield measurable results?
3. Is each component program cost-effective?

FPL's CILC program meets the Commission's three-pronged test. The program advances the policy objectives set forth in Rule 25-17.001, Florida Administrative Code, and the FEECA statute. It is monitorable and yields measurable results when viewed from the perspective of an all electric customer. It also passes all three of the Commission's cost-effectiveness tests; the Rate Impact (RIM) test, the Total Resource Cost (TRC) test, and the Participants test.

Based on the Integrated Resource Planning (IRP) analysis performed during 1994 for the DSM Plan Document filed in the this Docket, FPL projected the following combined benefit-cost ratios based on two avoided units - a 1997 Combustion Turbine, and a 2001 Combined Cycle unit with in-service costs of \$392 and \$552 per kW (kilowatt) respectively.

BENEFIT/COST RATIOS

RIM	TRC	Participants
1.36	38.85	163.40

We understand, however, that there has recently been a decline in capital costs for combustion turbines. FPL's present projection of avoided costs for the first avoided unit, a 1997 Combustion Turbine, is now \$252 per kW, down from the \$392 per kW used in the 1994 IRP analysis. Our staff requested an updated cost-effectiveness run for the CILC program based on the new costs (\$252). The following results indicate that this program continues to be cost-effective, but at a lower ratio.

BENEFIT/COST RATIOS

RIM	TRC	Participants
1.12	33.75	165.91

A benefit-cost ratio close to 1.0 leaves less room for error in the many input assumptions incorporated in the cost-effectiveness analysis. This is especially important, given the fact that this program has experienced rapid growth both in number of participating customers and program costs over the past five years. Through year-end 1994, FPL had signed up 365 CILC customers who have the ability to provide approximately 360 megawatts (MW) of demand reductions. The company was recently authorized to recover approximately \$20.5 million of program costs and rate credits through the Energy Conservation Cost Recovery (ECCR) clause for the twelve-month period ending September 1994. FPL projects an additional 123 installations for the period 1995 through 2003, contributing an additional 137 MW of demand reductions. This program comprises twenty two and fifty six percent of FPL's respective Commercial/Industrial summer and winter demand reduction goals.

At the same time that program participation and costs have risen considerably over the last five years, FPL has called upon the CILC customers to interrupt their load a total of only five times over the last five years. This is why we will more closely monitor the data currently filed by FPL pursuant to Rule 25-6.018, Florida Administrative Code. The information will be used to compare the "capacity factor" of this program relative to the avoided unit used in the cost-effectiveness tests.

There is concern with FPL's projections of the incentive portion of the CILC costs contained in the cost-effectiveness analysis. The company did not include the difference between what the CILC customers pay for fuel and the other cost recovery clauses, compared to what they would have paid if they were taking firm service under the otherwise applicable rate schedule. FPL included only the difference between what the CILC customers pay for base rates under the CILC rate schedule and what they would have paid on the otherwise applicable firm rate schedule. The difference in the fuel charges and the cost recovery clause factors should be included in the cost-effectiveness analysis, because the lower charges for fuel and cost recovery factors are part of the "incentive" for taking service on CILC, which are recovered from other firm customers. Nevertheless, since including the difference in these charges increases the incentives by only 3.2%, the

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program's benefit-cost ratio continues to be greater than one. That is why we have approved the program and the tariffs relating to it. The revised rate schedules will become effective July 27, 1995.

We are currently gathering data relating to the use of certain DSM programs such as the CILC program to potentially influence end-use equipment and fuel choices of customers in a competitive environment. This information may be discussed at the Commission workshop currently scheduled for September 5, 1995. We will also gather further information regarding the exceptions contained in FPL's CILC tariff for NASA and the United States Air Force. At our June 27, 1995, Agenda Conference, City Gas Company raised some concerns about the exceptions, and we intend to review them more closely.

Based on the foregoing, it is, therefore,

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's Commercial Industrial Load Control Program is approved in its entirety. It is further

ORDERED that the tariffs implementing Florida Power & Light Company's Commercial Industrial Load are approved for cost recovery, effective July 27, 1995. It is further

ORDERED that if a protest is filed in accordance with the requirements set forth below in the Notice of Further Proceedings, the tariff shall remain in effect with any increase in revenues held subject to refund pending resolution of the protest. It is further

ORDERED that if no protest is filed in accordance with the requirements set forth below in the Notice of Further Proceedings, this docket shall be closed.

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By ORDER of the Florida Public Service Commission, this 17th
day of July, 1995.

BLANCA S. BAYÓ, Director
Division of Records and Reporting

by: Kay Meyer
Chief, Bureau of Records

(S E A L)

MCB

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.

The Commission's decision on this tariff is interim in nature and will become final, unless a person whose substantial interests are affected by the action proposed files a petition for a formal proceeding, as provided by Rule 25-22.036(4), Florida Administrative Code, in the form provided by Rule 25-22.036(7)(a)(d) and (e), Florida Administrative Code. This petition must be received by the Director, Division of Records and Reporting, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on August 7, 1995.

In the absence of such a petition, this order shall become final on the day subsequent to the above date.

Any objection or protest filed in this docket before the issuance date of this Order is considered abandoned unless it satisfies the foregoing conditions and is renewed within the specified protest period.

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If this Order becomes final on the date described above, any party adversely affected may request judicial review by the Florida Supreme Court in the case of an electric, gas or telephone utility or by the First District Court of Appeal in the case of a water or wastewater 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 of the date this Order becomes final, 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.