

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition for modification  
and extension of experimental  
Real Time Pricing Rate, Rate  
Schedule RTP-GX, by Florida  
Power & Light Company.

DOCKET NO. 020961-EI  
ORDER NO. PSC-02-1634-TRF-EI  
ISSUED: November 25, 2002

The following Commissioners participated in the disposition of  
this matter:

LILA A. JABER, Chairman  
J. TERRY DEASON  
BRAULIO L. BAEZ  
MICHAEL A. PALECKI  
RUDOLPH "RUDY" BRADLEY

ORDER GRANTING FLORIDA POWER & LIGHT COMPANY'S  
PETITION TO MODIFY AND EXTEND ITS  
EXPERIMENTAL REAL TIME PRICING RATE SCHEDULE

BY THE COMMISSION:

Case Background

The Commission approved Florida Power & Light Company's (FPL) Real Time Pricing (RTP) rate schedule RTP-GX effective February 1, 1995, in Docket No. 940423-EG. See Order No. PSC-94-1232-FOF-EG. RTP is an optional experimental rate schedule that provides hourly marginal energy prices to commercial and industrial customers. The purpose of the pilot program was to determine customer response to marginal price signals. Initially, the rate was available to customers whose monthly demands exceeded 1,500 kW. Participation was limited to 50 customers, and the rate was scheduled to expire on December 31, 1998.

FPL had enrolled only four customers under the original RTP rate schedule when they proposed to lower the minimum monthly demand requirement from 1,500 kW to 1,000 kW. This change expanded the number of customers eligible for the rate from 150 to 425. The

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modified rate schedule was approved by Order No. PSC-96-0027-FOF-EI, issued on January 8, 1996.

By year-end 1996, FPL had 39 customers on the RTP rate. The number of customers was sufficient to conduct a meaningful experiment, but FPL did not experience sufficient extreme system load conditions to measure the customers' responses to the hourly price signals. Order No. PSC-99-0058-FOF-EG, issued January 6, 1999, granted FPL's request for an extension of the RTP-GX rate through December 31, 2000.

On July 20, 2000, FPL filed a petition to modify and extend the Real Time Pricing rate schedule effective for the period January 1, 2001, through December 31, 2002. (Docket No. 000902-EI) The modifications altered certain components of the RTP rate to increase price volatility and simplify the rate. FPL also reduced the program's demand eligibility level from 1,000 kW to 500 kW. The modifications became effective April 1, 2001. See Order No. PSC-01-0067-TRF-EI, issued January 9, 2001.

The current RTP rate schedule will expire on December 31, 2002. FPL is now seeking to (1) extend the RTP rate through December 31, 2003, (2) close the RTP rate to new customers as of December 31, 2002, and (3) withdraw the RTP rate after December 31, 2003, and transfer any existing RTP customers to their otherwise applicable rate schedule.

### Hourly RTP Prices

Under the optional RTP rate, FPL transmits to customers by 4:00 p.m. a set of hourly prices based on marginal costs that will be in effect for the following 24-hour period beginning at midnight. Customers then have an opportunity to adjust their usage to take advantage of the lower-priced hours. FPL's stated purpose for the RTP research program was to examine customer reaction to marginal price signals.

The RTP energy charge consists of three components, which are discussed in more detail below. FPL has not proposed any changes to the calculation of the RTP energy charge.

Marginal Operating Costs (MOP)

The MOP is the short-run variable cost to produce the next unit of output, and consists of incremental fuel and variable operation and maintenance (O&M) expenses. This component is a marginal price, in contrast to the average fuel and O&M prices paid under standard rates.

Marginal Reliability Costs (MREL)

The MREL is designed to recognize that there may be reliability constraints during some hours that must be reflected in the price signal. In hours when it is projected that there will be ample system capacity, this component is zero; however, in those hours when there are system constraints, the MREL reflects this incremental cost.

Marginal Recovery (MREC)

The MREC component is a fixed amount added to each hourly RTP price. The MREC is .75 cents per kWh for GSLD(T)-1 and GSLD(T)-2 customers, and .25 cents per kWh for GSLD(T)-3 customers.

Customer Baseline Load

FPL's RTP rate is designed to be revenue neutral, i.e., if customers use the same amounts of energy at the same times as they have historically, their bills will not differ from what they would pay under the existing otherwise applicable rate. The starting point for calculating the cost of a bill is determined by a contract-established Customer Baseline Load (CBL). The CBL is the customer's historic electricity usage that is used as a benchmark to compare with future electricity usage. FPL must establish a unique CBL for each customer based on historical data and the CBL is adjusted annually based on the previous year's usage. The customer pays the RTP rate for any actual usage above their CBL, and receives a credit at the RTP rate for any actual usage below their CBL. Actual usage that is the same as the CBL is priced at the otherwise applicable rate.

### Regulatory Treatment of RTP Revenues and Costs

Revenues received from the MOP component, which represents the incremental fuel costs, are being credited to the Fuel and Purchased Power Cost Recovery Clause. Any credits or charges from the MREL and MREC components are reported below-the-line for surveillance purposes. In addition, the programming costs FPL has been incurring, such as marketing, development, and monitoring costs, have been reported below-the-line for surveillance purposes. See Order No. PSC-94-1332-FOF-EG. FPL has not proposed any changes to the treatment of the RTP revenues and costs.

### Analysis

The experimental RTP rate was originally approved to determine whether customers would respond to high hourly energy prices by shifting their load, which would result in a lower peak demand. FPL has concluded that most RTP customers do not curtail their load in response to high hourly energy prices.

To support this finding, FPL provided an analysis showing each RTP customer's response to the hourly RTP prices for the period May 1, 2002, through May 7, 2002. FPL selected this time-frame due to the large number of high-priced hours that occurred. During the selected week, during the lower-cost hours, RTP prices ranged between 2 cents per kilowatt-hour (kwh) and 10 cents per kwh. During the five high-priced periods, the RTP price reached approximately 40 cents per kwh.

The analysis shows that 15 out of the 20 current RTP customers did not curtail their load during the high-priced periods. The remaining five customers did react by curtailing during the high-priced periods.

FPL further states that the number of customers opting to take service under the RTP rate has dropped from 42 customers in 1998 to 20 customers in July 2002. Customers have terminated service under the RTP rate for economic reasons.

FPL provided monthly bill amounts for the period April 2001 through August 2002 for the current 20 RTP customers showing the RTP bill amount, and what the bill amount would have been under the

otherwise applicable rate. The analysis shows that three RTP customers enjoyed substantial savings under the RTP rate, indicating that they were able to shift load from the high-priced hours to the lower-priced hours. Five customers realized savings between 12 percent and 22 percent. For the remaining 12 customers the difference between the RTP bill and what the bill would have been under the otherwise applicable rate was minimal. This indicates that these 12 customers only slightly adjusted their usage in response to the marginal price signals.

### Conclusion

We hereby approve FPL's petition. The current RTP rate is scheduled to expire on December 31, 2002; however, we find it is appropriate to extend the rate until December 31, 2003, to allow ample time for customers to prepare to transfer to otherwise applicable rates.

The original RTP rate was scheduled to expire on December 31, 1998. FPL has extended and modified the RTP rate several times to review customer response to marginal price signals. In addition, FPL lowered the minimum required monthly demand from an initial 1,500 kW to 500 kW to increase customer participation. Despite these changes, only 20 customers are currently taking service under the RTP rate.

Because of the low level of participation in the RTP rate schedule, and the lack of demonstrable demand reduction, we find that FPL's petition is hereby approved. Accordingly, the RTP rate is now extended through December 31, 2003, and is closed to new customers as of December 31, 2002. In addition, the RTP rate will be withdrawn after December 31, 2003, and any existing RTP customers at that time will be transferred to the otherwise applicable rate schedule.

Based on the foregoing, it is

ORDERED by the Florida Public Service Commission that Florida Power & Light Company's Petition for Modification and Extension of the Experimental Real Time Pricing Rate is hereby approved. It is further

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ORDERED that the effective date of Florida Power & Light Company's Experimental Real Time Pricing Rate is November 5, 2002. It is further

ORDERED that if a protest is filed within 21 days of issuance of the Order, the tariff shall remain in effect with any charges held subject to refund pending resolution of the protest. It is further

ORDERED that if no timely protest is filed, this docket shall be closed upon the issuance of a Consummating Order.

By ORDER of the Florida Public Service Commission this 25th day of November, 2002.

BLANCA S. BAYÓ, Director  
Division of the Commission Clerk  
and Administrative Services

By: Kay Flynn  
Kay Flynn, Chief  
Bureau of Records and Hearing  
Services

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NOTICE OF FURTHER PROCEEDINGS

The Florida Public Service Commission is required by Section 120.569(1), 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.

Mediation may be available on a case-by-case basis. If mediation is conducted, it does not affect a substantially interested person's right to a hearing.

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 proposed action files a petition for a formal proceeding, in the form provided by Rule 28-106.201, Florida Administrative Code. This petition must be received by the Director, Division of the Commission Clerk and Administrative Services, 2540 Shumard Oak Boulevard, Tallahassee, Florida 32399-0850, by the close of business on December 16, 2002.

In the absence of such a petition, this Order shall become final and effective upon the issuance of a Consummating Order.

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.