

FLORIDA PUBLIC SERVICE COMMISSION

Fletcher Building
101 East Gaines Street
Tallahassee, Florida 32399-0850

MEMORANDUM

July 6, 1992

TO : DIRECTOR, DIVISION OF RECORDS AND REPORTING

FROM : DIVISION OF ELECTRIC AND GAS (BERG) *W. Berg SK RLT*
DIVISION OF LEGAL SERVICES (CHRIST) *MC*

RE : DOCKET NO. 920629-EI PETITION BY FPL FOR CONTRACT FLEXIBILITY IN TIME OF USE RATE SCHEDULES FOR CUSTOMERS PARTICIPATING IN ONE OF THE COMPANY'S DEMAND SIDE MANAGEMENT PROGRAMS.

AGENDA: JULY 21, 1992 - CONTROVERSIAL - PARTIES MAY PARTICIPATE

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Florida Power and Light's (FPL) proposed revision to Tariff Sheet Nos. 6.060 and 6.061, modifying language on term of service under optional rates?

RECOMMENDATION: No.

STAFF ANALYSIS: Paragraph 7.5 on Tariff Sheet 6.060 currently requires a customer choosing to take advantage of an optional rate to remain on that optional rate for a minimum of twelve months. The revised tariff would allow customers participating in one of the Company's Demand Side Management Programs (DSM), who are on a time-of-use (TOU) rate schedule, the option of taking service on the corresponding standard rate, for a reasonable duration while repairs to the DSM equipment are made.

The tariff revision was prepared in response to a customer's request. This customer participates in Thermal Energy Storage (TES), a DSM program. A thermal energy storage unit stores energy during off-peak periods and draws upon the stored energy during the on-peak periods. The equipment is owned and maintained by the customer. A customer purchases TES equipment to enjoy the benefits of a TOU rate schedule. The customer in question has anticipated that his TES unit will be down for a period of two to three months for repairs. The result is a substantial increase in the monthly power bill because electricity must be used during on-peak periods.

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FPC-RECORDS/REPORTING

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In order to minimize the increase in the monthly power bill due to on-peak consumption, the company has asked for a modification to its tariff which would allow temporary billing on a standard rate during the down-time of a customer's DSM equipment. The rationale for this change is that the customer has made an investment in equipment which, during operation, provides substantial benefits to the company. Incurring on-peak charges during equipment down-time could discourage participation in the time-of-use DSM programs.

Staff recognizes the benefits of both DSM programs and the desirability of encouraging customers to utilize capacity off-peak whenever feasible. Customers who shift energy consumption from on-peak to off-peak time periods, postpone the need for additional plant capacity on-peak. However, Staff believes the Commission should reject FPL's proposed tariff revision for the following reasons. First, the twelve month time constraint on the selections of optional rates serves an economic purpose. A utility needs a concrete time frame to plan its capacity needs, in order to realize the benefits from shifts in usage.

Second, in a rate class, the "standard" rate is based upon the average cost to serve that customer regardless of the time consumption occurs, on-peak or off-peak. Correspondingly, a TOU rate is based upon the cost to serve a rate class during different time periods of the day. Approval of the revised tariff would force the general body of rate payers to subsidize the customer who enjoys savings at both ends of the spectrum. This appears to be simply a request to allow the customer to maximize savings without regard for the costs associated with consumption.

Staff also envisions that acceptance of this revision could lessen the customers' commitment to DSM programs. Since the customer would have less of an incentive to keep the equipment up and running, neglect of periodic maintenance to DSM equipment could occur, causing more uncertainty in capacity savings to the utility. Finally, the customers who would benefit from the proposed tariff flexibility are large commercial and industrial customers who make large capital investments into DSM equipment to enjoy the incentives a DSM program offers. Staff believes such customers should understand the requirements of the DSM equipment and plan accordingly.

Staff would note that changes to Tariff Sheet No. 6.061 result from some language previously stated on 6.060. The additional language on tariff 6.060, regarding TOU contract flexibility, creates the need for additional language space. If the proposed revision to tariff 6.060 is rejected, there is no need for a revised tariff 6.061.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: If no substantially affected person files a protest within 21 days of the Commission's proposed agency action, this docket should be closed.