

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Petition for Approval of) DOCKET NO. 940423-EG
Experimental Real Time Pricing) ORDER NO. PSC-94-1232-FOF-EG
Rate, Rate Schedule RTP-GX, by) ISSUED: October 11, 1994
Florida Power and Light Company)
_____)

The following Commissioners participated in the disposition of this matter:

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

ORDER APPROVING EXPERIMENTAL REAL TIME PRICING TARIFF
RATE SCHEDULE RTP-GX

CASE BACKGROUND

On December 20, 1993, Florida Power and Light (FPL) petitioned the Commission for approval of a Commercial/Industrial Real Time Pricing (RTP) research project that provides hourly time-of-use pricing (Docket No. 931219-EG). FPL proposed to recover the costs associated with the RTP research project from all customers through the Energy Conservation Cost Recovery (ECCR) clause. On April 29, 1994, FPL filed, pursuant to Sections 366.06 and 366.075, Florida Statutes, the rate schedule that accompanies the RTP research project, rate schedule RTP-GX.

On June 21, 1994, the Commission voted to suspend the RTP-GX tariffs and to set the matter for a hearing to be held on November 10, 1994. A hearing was set because it was apparent, following a series of staff workshops, that there was significant disagreement as to the appropriateness of treating this proposal as a conservation program.

The staff and FPL continued to hold discussions regarding the proposal, and on July 5, 1994, at a Staff Workshop, FPL presented draft changes to its petition. On July 19, 1994, FPL filed an amended petition to address the staff's concerns with the original petition. At the same time FPL withdrew its petition for approval of the Commercial/Industrial Real Time Pricing (RTP) research project and the associated ECCR cost recovery (Docket No. 931219-EG). This Order addresses the amended petition.

DOCUMENT NUMBER-DATE

10353 OCT 11 94

FPSC-RECORDS/REPORTING

OVERVIEW OF REAL TIME PRICING

RTP-GX is an experimental commercial and industrial rate schedule that will provide hourly marginal energy prices to standard and time-of-use customers whose maximum monthly demands exceed 1,500 kw. Participation is limited to 50 customers, and the rate will expire on December 31, 1998. It is not available to curtailable, standby, or commercial/industrial load control program (CILC) customers.

Real time pricing is a refinement of time-of-use (TOU) pricing that has been in existence for many years. The purpose of TOU pricing is to encourage customers to shift usage from high cost on-peak hours to lower cost off-peak hours by setting prices to better reflect system costs during those periods. Under current TOU pricing, both the peak periods and the prices are fixed. Under RTP, however, the customer will receive hourly prices based on marginal costs. These hourly prices are intended to provide a more accurate price signal than the existing static TOU rates.

Under the RTP proposal, FPL transmits to customers by 4:00 p.m. a set of hourly prices 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. RTP is not a dispatchable demand side management program, under which FPL can reduce customers' loads. Customers retain the right to take power whenever they choose, even during high-cost periods. The optional nature of the program makes the load reductions attributable to customer response to RTP difficult to quantify at this time.

FPL's stated purpose for the RTP research program is to examine customer reaction to marginal price signals. The company believes that customers will respond to high hourly energy prices by shifting their load, and that the resulting peak demand reductions will be sufficient to qualify RTP as a cost-effective conservation program.

Revenue Neutrality

An important feature of the RTP rate is its "revenue neutrality." Revenue neutrality means that 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 existing embedded cost rates. Thus the starting point for RTP customers is the standard, embedded cost bill that they pay under existing rates. The embedded cost bill is determined by a contract-established Customer Baseline Load (CBL). FPL must establish a unique CBL for each customer based on historical data. Hourly demand and energy usage for a 12-month period will be examined and adjusted for any anticipated changes in usage which are not attributable to participation in the RTP program, such as the installation of energy conservation equipment or the permanent addition or removal of customer equipment or expected load.

The setting of an appropriate CBL is critical to ensuring that the RTP rate is revenue neutral. Customers will receive bills that differ from standard rates when their patterns and/or levels of usage differ from their CBL. Any shifting of load from one hour to another will result in a credit at the RTP rate for the reduced hour and a charge at the RTP rate for the increased hour. Thus if a customer shifts load from a higher priced RTP hour to a lower one, the credit it receives by moving from the higher priced hour will be greater than the charge imposed in the lower priced hour, resulting in a reduction as compared with the standard rate.

Likewise, any departure from the historical level of usage is charged at the marginal RTP price. For example, if a customer increases usage over historical levels by 10% across all hours, this increase in load will be priced at what is essentially marginal cost even though the customer has not shifted any of his electric load.

FPL's revised petition, addresses the concerns regarding the recovery of costs associated with RTP through the ECCR clause. FPL had previously sought immediate recovery of all costs associated with the project through the ECCR clause.

The amended petition allows FPL to conduct the RTP experiment, however, it precludes FPL from seeking recovery of any costs at this time. FPL has agreed never to seek recovery of the Marginal Reliability Cost Transactions and Marginal Recovery Transactions costs that are incurred while the experimental rate is in effect. These transactions reflect the revenue differences between standard and RTP rates. These transactions will be reported "below the line" for purposes of the surveillance report. However, FPL has given

notice that it may petition to seek recovery of all unrecovered program costs incurred for the project at such time as the Commission approves RTP as a conservation program. Program costs include marketing, development, analysis and monitoring costs. In addition, FPL will provide a quarterly report of all costs incurred during the experiment and its impact on FPL's Return on Equity.

The RTP concept may send more accurate price signals to customers. As discussed previously, however, the concerns involve the inability of FPL to demonstrate that RTP is a conservation program. We believe that FPL should, however, be granted the opportunity to implement the experimental RTP program pursuant to the amended petition. FPL should be afforded the opportunity to collect the actual operating data needed to support its contention that RTP is a conservation program and should be approved for cost recovery through the ECCR clause.

For these reasons, we approve Florida Power and Light Company's amended petition to implement the experimental real time pricing RTP-GX rate schedule.

FPL is currently establishing the billing and support systems necessary to offer a real time pricing program. It is anticipated that the needed support systems will be complete by February 1, 1995. Once completed, FPL believes that a three year time frame is sufficient to evaluate customer response to the real time pricing program and its effect on FPL's growth in peak demand. We believe that the proposed time frame is reasonable.

Therefore, we find that the Real Time Pricing rate shall become effective on February 1, 1995, and shall terminate on December 31, 1998. In the event that a timely protest is filed, the RTP-GX tariff shall not be effective until after final resolution of the protest. At the termination of the experiment, customers taking service under the experimental rate schedule shall return to their otherwise applicable rate schedule.

It is therefore

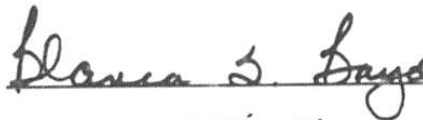
ORDERED that Florida Power and Light Company's amended petition to implement the experimental real time pricing RTP-GX rate schedule is granted. It is further

ORDERED that the Real Time Pricing rate shall become effective on February 1, 1995, and shall terminate on December 31, 1998. At the termination of the experiment, customers taking service under the experimental rate schedule shall return to their otherwise applicable rate schedule. It is further

ORDER NO. PSC-94-1232-FOF-EG
DOCKET NO. 940423-EG
PAGE 5

ORDERED that this docket shall be closed if no person whose substantial interests are affected person files a protest within 21 days of the issuance of this order. In the event that a timely protest is filed, the RTP-GX tariff shall not be effective until after final resolution of the protest.

By ORDER of the Florida Public Service Commission, this 11th day of October, 1994.



BLANCA S. BAYO, Director
Division of Records and Reporting

(S E A L)

RVE

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, 101 East Gaines Street, Tallahassee, Florida 32399-0870, by the close of business on November 1, 1994.

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

ORDER NO. PSC-94-1232-FOF-EG
DOCKET NO. 940423-EG
PAGE 6

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.

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.