



Public Service Commission

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M-E-M-O-R-A-N-D-U-M-

DATE: AUGUST 20, 1998

TO: DIRECTOR, DIVISION OF RECORDS AND REPORTING (BAYO)

FROM: DIVISION OF ELECTRIC AND GAS (COLSON, GOAD)
DIVISION OF LEGAL SERVICES (KEATING) WXC RVE JDJ

RE: DOCKET NO. 980725-EG - PETITION TO MODIFY STANDBY GENERATOR PROGRAM BY TAMPA ELECTRIC COMPANY.

AGENDA: SEPTEMBER 1, 1998 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

CRITICAL DATES: NONE

SPECIAL INSTRUCTIONS: NONE

FILE NAME AND LOCATION: S:\PSC\EAG\WP\980725.RCM

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CASE BACKGROUND

In November 1995, the Commission approved Tampa Electric Company's (TECO) Standby Generator Program as part of its demand side management (DSM) plan in Order Numbers PSC-95-1343-S-EG, and PSC-95-1343A-S-EG. The Standby Generator Program is designed to utilize the emergency generation capacity of certain Commercial and Industrial customers in order to reduce TECO's summer and winter coincident peak demands. TECO provides the participating customers a one hour notice that their generation will be required. This allows the customers time to start their generators and arrange for an orderly transfer of the load. As an incentive for the customer to participate, TECO issues a monthly credit of \$3.00 per KW per month for average measured demand of load subject to be transferred to a standby generator(s). Under no circumstances will the generators deliver power to TECO's grid.

To participate in this Program, a Commercial or Industrial customer must be on TECO's firm rate schedule with an on-site

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emergency generator, and have a normal building load (standby) that is served or can be served by the generator that meets the following conditions:

- (1) minimum of 50 KW;
- (2) minimum of 50% annual load factor during TECO's peak hours; and
- (3) the generator installation and operation comply with all applicable regulations;

In order to increase the effectiveness of this program, TECO is petitioning for approval to modify the program in the following manner:

- (1) lower the qualifying threshold for participation from 50 KW to 25 KW;
- (2) decrease the customer's response time to transfer the load to their generator(s) from one hour to 30 minutes;
- (3) calculate the customer's incentive based on the average transferable load; and
- (4) define customer termination guidelines for noncompliance with control notification.

DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Tampa Electric Company's petition to modify its Standby Generator Program?

RECOMMENDATION: Yes. The modifications to the Standby Generator Program will increase the number of participants, decrease the response time to transfer load to the generator, refine the incentives, and establish termination guidelines. (COLSON, GOAD)

STAFF ANALYSIS: In staff's first set of interrogatories, TECO was asked to evaluate the cost effectiveness of the modifications to its Standby Generator Program (Program) using the ratepayer impact measure (RIM) test and the company's most recent planning assumptions. TECO's response showed that the benefit-to-cost ratio for the modified Program was 1.6 to 1. This analysis included an incentive of \$900 for a 25-KW average transferable demand reduction and the availability for control over an average of 50 hours annually. These power savings will equate to 1250 kWh of energy reduction annually. The recurring and non-recurring

Program costs are estimated to be \$2,410 and \$551 respectively, which represent the costs to initiate the Program and administer it annually. The customer's O&M cost for fuel to run the generator during the 50 control hours is estimated to be \$75. The following are staff's evaluations of the four proposed changes:

1. Lowering the qualifying threshold for the Program from 50 KW to 25 KW. By lowering the threshold, TECO expects to gain additional customers that have transferable loads in the 25 - 50 kW ranges but currently are ineligible to participate in the Program. This will increase TECO's demand and energy savings and improve TECO's ability to achieve the conservation goals set by the Commission.

2. Defining a customer response time for the Program. TECO believes that the customer's response time for load transfer is critical for meeting system loads during times of need. Therefore, the response time has been reduced from one hour to 30 minutes as the maximum length of time needed to secure the customer's available load. TECO's customers on the Program have been notified and have agreed that the change would not be a burden. In comparison, Florida Power Corporation employs a 15 minute response time for a similar Program.

3. Calculating the incentive based on the customer's average transferable demand. Previously, the customer's average demand was calculated by dividing the monthly peak kWh by the number of hours in the peak period. Now the average transferable demand for an existing customer will be determined by using the historical incentive performance for the twelve previous months. For a new customer, the average transferable demand will be measured by TECO in the field at the customer's site by transferring the customer's normal load to the standby generator(s). This modification will provide a more accurate measure of the load reduction to TECO's system and thus compensate the customer accordingly. TECO will issue a monthly credit of \$3.00 per kW per month for average transferable demand of a customer's load to a standby generator(s). The amount of this credit has not changed.

4. Defining customer termination guidelines for noncompliance with control notification. A customer may be terminated from the program if the customer fails to respond to standby generator controls when notified by TECO during any three months of a twelve consecutive month period. A customer will be exempt from termination due to noncompliance if TECO's transmitted signal or

other equipment owned by TECO (radio receiver or annunciator) at the customer's facility fails.

TECO did not achieve the conservation goals set by the Commission for 1997. TECO missed its cumulative commercial\industrial (C/I) summer demand goals of 20 MW by 7% and its annual kWh goals of 90 GWH by 53%. TECO was able to achieve only its cumulative C/I winter demand goals of 7 MW by 106%. The proposed Program modifications are expected to add 25 customers to TECO's Program eligibility list. By 2005, TECO projects that these new customers (25 - 50kW) will provide a minimum cumulative savings of 2.1 MW and 105 MWH.

Staff believes that the modifications proposed for the Standby Generator Program will increase the Program's reliability and administrative efficiency. The modified Program will also increase TECO's C/I demand and energy savings and improve TECO's ability to achieve the conservation goals set by the Commission. Therefore, staff recommends that the Program modifications be approved.

The Tariff Sheets implementing this program should be administratively approved upon the expiration of the protest period of the Order, if no protest is timely filed.

ISSUE 2: Should this docket be closed?

RECOMMENDATION: This docket should be closed if no person whose substantial interests are affected by the proposed action files a protest within the 21-day protest period.

STAFF ANALYSIS: At the conclusion of the protest period, if no protest is filed, this docket should be closed.