



# Public Service Commission

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**DATE:** February 20, 2003

**TO:** DIRECTOR, DIVISION OF THE COMMISSION CLERK & ADMINISTRATIVE SERVICES (BAYÓ)

**FROM:** DIVISION OF ECONOMIC REGULATION (HAFF, BAXTER, SICKEL) & OFFICE OF THE GENERAL COUNSEL (HOLLEY) *MSH DPL*

**RE:** DOCKET NO. 030051-EG - PETITION FOR MODIFICATION OF RESIDENTIAL ON-CALL PROGRAM AND FOR APPROVAL OF RESIDENTIAL LOAD CONTROL PILOT PROJECT BY FLORIDA POWER & LIGHT COMPANY. *JAN 2003*

**AGENDA:** 3/04/2003 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE

**CRITICAL DATES:** 60-DAY SUSPENSION DATE: 3/17/2003

**SPECIAL INSTRUCTIONS:** NONE

**FILE NAME AND LOCATION:** S:\PSC\ECR\WP\030051.RCM

CASE BACKGROUND

As part of its Commission-approved Demand-Side Management (DSM) Plan, Florida Power & Light Company (FPL) offers a residential load control program known as the On-Call Program. Participants in the On-Call Program receive incentives, in the form of a monthly bill credit, for allowing FPL to interrupt electric service to specific appliances such as central heating and air conditioning, electric water heating, and swimming pool pumps. FPL has offered the On-Call Program since 1986. As of November, 2002, the On-Call Program had over 700,000 participating customers with the potential to reduce FPL's system winter peak demand by over 1,100 MW.

In 2000, FPL performed market research to evaluate customer response to a proposed reduction in monthly credits paid under the On-Call Program. After reviewing the results of its market

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research, FPL wanted to perform a field test to gauge customer response to a proposed reduction in monthly credits and to different program marketing strategies. The Commission denied FPL's request to perform the field test. (Order No. PSC-01-1802-PAA-EI, issued September 6, 2001 in Docket No. 010561-EI).

On January 15, 2003, in the instant docket, FPL petitioned the Commission for approval of modifications to the On-Call Program. In its petition, FPL has requested approval to close the On-Call Program, offered under Rate Schedule RSL, to new customers effective April 1, 2003. In its place, FPL wants to offer a new residential load management pilot project (On-Call Pilot Project), under Rate Schedule RLP, for a three-year period. After April 1, 2003, customers under Rate Schedule RSL who request a change in the appliance being interrupted, a change in the interruption schedule, or who move to a different location in FPL's service territory must use Rate Schedule RLP if they wish to continue as load management participants. The existing program and the proposed pilot project are nearly identical except that Rate Schedule RLP has a 50% reduction in the incentive paid to participating customers who have their electric water heater and central air conditioning system under load control.

This recommendation addresses FPL's petition to modify the On-Call Program and to approve the proposed On-Call Pilot Project. The Commission has jurisdiction over this matter pursuant to Sections 366.81 and 366.82, Florida Statutes.

#### **DISCUSSION OF ISSUES**

**ISSUE 1:** Should FPL's Petition to Modify its Residential On-Call Program and Approve its Residential On-Call Pilot Project be approved?

**RECOMMENDATION:** Yes. Effective April 1, 2003, FPL's Residential On-Call Program should be closed to new participants and be replaced with FPL's proposed Residential On-Call Pilot Project. The proposed On-Call Pilot Project is expected to provide FPL with information on how load management customers respond to reduced monthly credits. The program is expected to continue to meet the

policy objectives of the Florida Energy Efficiency and Conservation Act, to continue to be monitorable, and continue to be cost-effective. (Haff, Sickel, Baxter)

**STAFF ANALYSIS:** The On-Call Program is currently cost-effective, with a benefit-cost ratio of 1.71 under the rate impact measure (RIM) test. The majority of the cost of load management programs such as FPL's On-Call Program is the incentive, or monthly credit, paid to participating customers. These program costs are passed on to all of FPL's ratepayers through the Energy Conservation Cost Recovery (ECCR) Clause. Therefore, a reduction in monthly credits would result in a corresponding reduction in overall expenses recovered through the ECCR Clause.

FPL's proposed On-Call Pilot Project (Rate Schedule RLP) and the existing On-Call Program (Rate Schedule RSL) are nearly identical except for the following two provisions:

- Under the new Rate Schedule RLP, monthly credits paid to the customer for FPL's control of electric water heaters are reduced by 50%, from \$3.00/month to \$1.50/month. Monthly credits paid for the control of central air conditioning units under a short cycle (maximum of 15 minutes per 30-minute period, not to exceed 180 minutes in one day) are also reduced by 50%, from \$6.00/month to \$3.00/month. All other credits, such as those for swimming pool pumps, central electric heating, and for control of central air conditioning under an extended cycle (maximum of 180 minutes per day) remain unchanged.
- Under the modified Rate Schedule RSL, only current load control customers may continue to receive the higher monthly credits. Existing participants who wish to change the appliance being interrupted, the interruption schedule, or the location of their residence must convert to the On-Call Pilot Project offered under Rate Schedule RLP or cease to participate in the On-Call Program altogether.

FPL's market survey results indicated that approximately 45% of its residential load control participants will be on Rate Schedule RLP within four years. This estimate encompasses new load management participants as well as existing participants who migrate from Rate Schedule RSL to Rate Schedule RLP.

When the Commission reviews conservation programs, it typically considers three criteria:

- Whether the program advances the policy objectives of Rule 25-17.001, Florida Administrative Code, and Sections 366.80-.85, Florida Statutes, also known as the "Florida Energy Efficiency and Conservation Act" (FEECA);
- Whether the program is directly monitorable and yields measurable results; and
- Whether the program is cost-effective.

Staff believes that FPL's On-Call Pilot Project will allow FPL to continue to achieve the goals of FEECA. The primary purpose of the On-Call Pilot Project is to measure customer response to reduced incentives. Even with some initial customer drop-off, staff expects FPL to continue to add load management participants which, in turn, will increase FPL's potential winter peak demand savings above current levels in a cost-effective manner.

Staff believes that FPL's On-Call Pilot Project is directly monitorable and yields measurable results. The On-Call Pilot Project will apply to all new sign-ups effective April 1, 2003, as well as to all existing On-Call Program participants who request a change in the appliance being interrupted, a change in the interruption schedule, or who move to a different location in FPL's service territory. Program monitoring for the On-Call Pilot Project will be the same as for the existing On-Call Program.

Staff believes that FPL's On-Call Pilot Project is cost-effective, with a benefit-cost ratio of 2.42 under the RIM test. This means that, for participants and non-participants alike, the On-Call Pilot Project is expected to be less costly than FPL's next identified power plant, a 2007 combined cycle unit.

FPL plans to offer the On-Call Pilot Project for a maximum of three years. At that time, depending on customer response to the reduced monthly credits, FPL might petition for permanent Commission approval of the On-Call Pilot Project or may petition to terminate the project and revert all load management customers to the existing On-Call Program.

In summary, FPL's proposed On-Call Pilot Project is expected to provide FPL with information on how load management customers respond to reduced monthly credits and different program marketing strategies. The program is expected to continue to meet the policy objectives of FEECA, to continue to be monitorable, and continue to be cost-effective. For these reasons, staff recommends that the Commission approve FPL's Petition to Modify its Residential On-Call Program and Approve its Residential On-Call Pilot Project for a three-year period effective April 1, 2003.

**ISSUE 2:** Should this docket be closed?

**RECOMMENDATION:** Yes. If Issue 1 is approved, new Rate Schedule RLP and modified Rate Schedule RSL should become effective on April 1, 2003. If a protest is filed within 21 days of the issuance of the order, these tariffs should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order. (Holley)

**STAFF ANALYSIS:** If Issue 1 is approved, new Rate Schedule RLP and modified Rate Schedule RSL should become effective on April 1, 2003. If a protest is filed within 21 days of the issuance of the order, these tariffs should remain in effect with any increase held subject to refund pending resolution of the protest. If no timely protest is filed, this docket should be closed upon the issuance of a consummating order.