



Public Service Commission
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COMMISSION CLERK

DATE: 05/22/03
TO: DIRECTOR, DIVISION OF THE COMMISSION ADMINISTRATIVE SERVICES (BAYÓ) CLERK
FROM: DIVISION OF ECONOMIC REGULATION (WHEELER) OFFICE OF THE GENERAL COUNSEL (Vining) *DPW AS* *AEV* *Walt* *JDS*
RE: DOCKET NO. 030241-EI - PETITION FOR APPROVAL OF REVISIONS TO INTERRUPTIBLE RATE SCHEDULES IS-2 AND IST-2 LIMITING SERVICE TO CERTAIN TYPES OF PREMISES, BY PROGRESS ENERGY FLORIDA, INC.
AGENDA: 06/03/03 - REGULAR AGENDA - TARIFF FILING - INTERESTED PERSONS MAY PARTICIPATE
CRITICAL DATES: NONE.
SPECIAL INSTRUCTIONS: NONE
FILE NAME AND LOCATION: S:\PSC\ECR\WP\030241.RCM

CASE BACKGROUND

On March 10, 2003, Progress Energy Florida, Inc. (PEF) filed a petition to revise its IS-2 and IST-2 Interruptible General Service rate schedules. The proposed revision restricts the applicability of these rates to premises for which an interruption of electric service will not significantly affect members of the general public, nor interfere with functions performed for the protection of public health or safety, unless adequate on-site backup generation is available. This restriction applies only to new interruptible service. It does not affect interruptible service at existing premises.

The Commission has jurisdiction over the subject matter of this recommendation pursuant to Sections 366.04, 366.05, and 366.06, Florida Statutes.

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DISCUSSION OF ISSUES

ISSUE 1: Should the Commission approve Progress Energy Florida, Inc.'s proposed revision to its IS-2 and IST-2 Interruptible General Service Rate Schedules?

RECOMMENDATION: Yes. (Wheeler)

STAFF ANALYSIS: PEF currently provides interruptible electric service under four rate schedules: IS-1, IST-1, IS-2, and IST-2. These rate schedules are optionally available to customers who allow PEF to interrupt their service in the event their power is needed to serve PEF's firm customers, or to provide emergency power to other Florida utilities for their firm load. In return, customers pay a reduced rate as compared with the standard firm rate. The entire load at the customer's premises is subject to interruption. If a customer requires firm service for part of its load, the firm load must be served at a separate delivery point under the applicable firm rate schedule.

The IS-1 and IST-1 rate schedules were closed to new customers on April 6, 1996, and only customers who were taking service at that time remain on these rates. The proposed tariff revision will not affect any IS-1 or IST-1 customers.

The IS-2 and IST-2 rates became effective upon the closure of the IS-1 and IST-1 rates to new customers, and are currently available to any nonresidential customer whose monthly maximum billing demand exceeds 500 kilowatts (kW). Customers who wish to return to firm service are required to provide three years' notice.

The Proposed Tariff Revision

PEF has proposed to revise the applicability provisions of the IS-2 and IST-2 rate schedules. The change limits the availability of interruptible service for new premises to those for which an interruption will not significantly affect members of the general public nor interfere with functions performed for the protection of public health or safety, unless adequate onsite backup generation is available.

Specifically, the proposed revision adds the following language to the applicability provisions of the IS-2 and IST-2 rate schedules:

"For customer accounts established under this rate schedule after _____, 2003, service is limited to premises at which an interruption of electric service will primarily affect only the customer, its employees, agents, lessees, tenants, or business guests, and will not significantly affect members of the general public, nor interfere with functions performed for the protection of public health or safety."

The proposed revision also enumerates specific premises that would no longer be eligible for interruptible service, unless adequate on-site backup generation is available:

". . . retail businesses, offices, and governmental facilities open to members of the general public; stores; hotels; motels; convention centers; theme parks; schools; hospitals and health care facilities; designated public shelters; detention and correctional facilities; police and fire stations; and other similar facilities."

The limitation is applicable **only** to interruptible service requested after the effective date of the tariff revision. Premises that currently take service under interruptible rate schedules are not affected.

If PEF determines that the customer has adequate on-site backup generation, the customer can qualify for the interruptible rate, regardless of the type of premises. To decide whether the backup generation is adequate, PEF will consider whether, in the event of an interruption, the customer can maintain a level of service that will not significantly affect members of the general public. Thus, the customer may not be required to show that they have 100% backup capability to qualify. While the determination of whether adequate backup generation exists is inherently subjective, such flexibility is necessary given the wide variety of load and operational characteristics that customers exhibit.

Need for the Proposed Tariff Revision

PEF asserts that the proposed change is necessary in order to limit the provision of interruptible service to those types of loads that traditionally were served on non-firm rates: large, energy-intensive industrial customers. Customers of this type are most able to adapt their operations to account for the reduced level of service provided under interruptible rates.

PEF believes that in recent years, other types of customers who are less able to adapt to the possibility of service interruptions have been attracted to interruptible service due to the lower rates they afford. PEF believes that these customers do not always appreciate the trade-off that comes with lower rates, i.e., the very real likelihood of service interruptions. Although there may be periods during which no interruptions occur, there are times, depending on the timing of the addition of new generating units, when interruptions are more frequent.

PEF believes that interruptible service should not be provided when the negative consequences of interruptions are borne by the public, such as in the case of stores, shopping malls, schools and colleges, or when interruptions interfere with functions performed for the public health or safety, such as in prisons and hospitals.

Currently, there are 160 accounts under PEF's interruptible rate schedules. PEF states that 36 of these existing accounts would not qualify based on the proposed revision to the applicability provision unless they had adequate back-up generation:

| | |
|-----------------------|----------|
| Public Schools | 28 |
| Colleges/Universities | 2 |
| Department Stores | 5 |
| Penitentiaries | <u>1</u> |
| Total | 36 |

Under the proposed tariff revision, these customers would continue to be served under interruptible rates. PEF believes, however, that the revision will insure that no additional

interruptible load of this type is added, unless it can be demonstrated that the premises have adequate on-site backup generation.

Recommendation

Staff believes that the proposed tariff revision is appropriate, and should be approved. Staff believes that interruptible service is most appropriate for premises at which the negative impact of interruptions is limited primarily to the customer. The revision will insure that any new interruptible service will not result in negative impacts to the general public in the event an interruption occurs. At the same time, the tariff allows sufficient flexibility to allow interruptible service to customers that make provision for adequate on-site backup generation.

Staff also believes that it is appropriate to allow those customers who are currently served under interruptible rates but do not meet the revised criteria to remain on the rates. In many cases, such customers have made investment decisions based on their receipt of interruptible service, and staff believes that in the interest of fairness, they should be allowed to continue such service.

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ISSUE 2: Should this docket be closed?

RECOMMENDATION: Yes. If Issue 1 is approved, this tariff should become effective on June 3, 2003. If a protest is filed within 21 days of the issuance of the order, this tariff 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. (Wheeler, Vining)

STAFF ANALYSIS: Yes. If Issue 1 is approved, this tariff should become effective on June 3, 2003. If a protest is filed within 21 days of the issuance of the order, this tariff 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.